



**2017/2018**

**ANNUAL REPORT  
FOR  
ILEMBE DISTRICT MUNICIPALITY  
JULY 2017 – JUNE 2018**

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## CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

### 1.1 OVERVIEW BY HIS WORSHIP THE MAYOR

It is a great honour for me to present the Annual Report of the iLembe District Municipality for the year ending on 30 June 2018.

It is an even greater honour to do so as the reporting period falls within the year of the centenary of former President Nelson Mandela and struggle icon/heroine Nontsikelelo Albertina Sisulu. These leaders served our community with loyalty and were steadfast in their fight against the triple challenge of poverty, unemployment and inequality. They contributed immensely to the course of freedom and democracy.

The purpose of the annual report is to provide a record of the activities of the Council during the financial year, provide a report on performance against the budget of the iLembe Council for the financial year reported on as well as to promote accountability to the local community for the decisions made throughout the year by the Municipality. It is thus aimed at providing all citizens and stakeholders who have an interest in the iLembe District Municipality an insight into the workings of this organisation.

Following the strategic planning session of the iLembe District Municipality for the 2016 – 2021 period which was held on 24 to 27 October 2016, where relevant stakeholders deliberated on ways to overcome the prevailing challenges and chart a path for developing and growing the District over the next five years and beyond, a shared vision i.e. Vision 2030 was set taking into account national and provincial priorities as well as the development visions of the constituent local municipalities.

**“BY 2030 ILEMBE DISTRICT MUNICIPALITY WILL BE A SUSTAINABLE PEOPLE CENTRED ECONOMIC HUB PROVIDING EXCELLENT SERVICES AND QUALITY OF LIFE”.**

In presenting this Annual Report the municipality is proud to set out our performance highlights and financial management. The report is published in terms of the requirements of the Municipal Finance Management Act No. 56 of 2003 which requires municipalities to report on all aspects of

performance, providing a true, honest and accurate account of the goals set by Council and our success or otherwise in achieving these goals.

Our five-year strategic plan is aligned to the national KPAs and PGDs and our organisation scorecard as indicated above continues to be organised according to the five prescribed national Key Performance Areas which are;

- Municipal transformation and institutional development
- Local economic development and planning
- Basic service delivery
- Financial viability and management
- Good governance and public participation

We are proud to acknowledge the collective effort of our leadership, employees, service delivery partners and all citizens who contributed to transforming the municipality into a cohesive institution that is able to deliver on its core mandate.

iLembe is still continuing to embark on vigorous implementation of the Back to Basics (B2B) approach launched by the then president in 2014. This was done in an effort to recognise and adequately reward good performance and ensure sufficient consequences for under-performance. Our municipality has maintained its status of functional in its implementation of the B2B approach. This indicates that there is good political stability, governance, service delivery, financial management, institutional management and community satisfaction in the District. iLembe District Municipality's overall performance was good with 67% of our targets being met, 24% not being met and 9% in progress by the end of June 2018.

#### **MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT**

The vacancy rate was originally at 23% but as council we took a decision that our Human Resources unit embarks on a process of prioritizing posts in order to ensure alignment with the budget affordability.



## **LOCAL ECONOMIC DEVELOPMENT AND PLANNING**

Enterprise iLembe continues to improve co-ordination of Local Economic Development in the District including the upscale of agriculture, capitalising on tourism potential, increasing manufacturing output and ensuring job creation.

iLembe District is committed to creating an enabling environment that will see the growth and emancipation of the local emerging entities owned by black people. During this period we are reporting on Enterprise iLembe introduced SMME support strategies to assist local SMMEs who are in great need of support structure and awareness about the available options for them that would enable growth of their businesses. Through its LED function, EI will be responsible for the support and incubation of the emerging entities allocated work through the procurement systems. This will take our objectives a step further towards the realization of economic empowerment of our previously disadvantaged individuals.

## **BASIC SERVICE DELIVERY**

As iLembe District we are proud of the achievements made in the delivery of basic services to our people. In 2017/2018 a total of 2 338 households have access to sanitation in Maphumulo, Ndwedwe and Mandeni. We recognise the challenges experienced with regard to the provision of water and are working tirelessly implementing measures to improve our performance. In terms of the summary of the for the Performance Of Service Providers during the period under review, Umngeni Water's performance was at an acceptable level (good), with key areas also notable Gledhow Sugar and Sembcorp Siza Water to ensure continuous improvement.

## **FINANCIAL VIABILITY AND MANAGEMENT**

Our entity, Enterprise iLembe obtained a clean audit for the 2017/2018 financial year with the District receiving an unqualified audit report opinion for the financial year. The material finding was for the money owed by the municipality that was not always paid within 30 days as per MFMA requirements. Cash flow positions continues to be constrained given the persisted poor collection rate particularly from historic debt. Management and council are working vigorously to turn the situation around and has adopted a three-year financial turnaround strategy to address challenges around revenue collection.

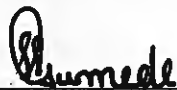
## **GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

Community services remains one of our core functions as the district, and through this function we have been able to get involved in activities that are entirely community based and are directed towards creating awareness to improve the lives of our communities through education campaigns and celebratory events in collaboration with communities, sector departments, non-governmental organisations, and relevant stakeholders.

Public participation remains an important pillar of our democracy. As stipulated in the legislative framework governing local government, the municipality has undertaken various initiatives to ensure an informed and active citizenry. A total number of 38 planned public participation meeting and 100% of meetings requested also took place.

The achievements and service delivery in 2017/2018 that presented in this annual report are due to the hard work and dedication of all at iLembe District Municipality including the employees, councillors and various external stakeholders.

I would like to extend my gratitude to the Municipal Manager and the entire team of officials who are central in the execution of our vision and we commit ourselves to continue reaching greater heights as we move forward.



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**His Worship the Mayor**

**Cllr S.S. Gumede**

**Date: 28 March 2019**

## **1.2 FOREWORD BY THE MUNICIPAL MANAGER**

In keeping with Section 46 of the Local Government Municipal Systems Act, No. 32 of 2000 (as amended), Section 127 (2) of the Local Government Municipal Finance Management Act, No. 56 of 2003, as well as accompanying circulars, templates and guidelines we are duty bound to prepare an annual report for the 2017/2018 financial year. In particular, MFMA Circular No. 63, issued in September 2012, added guidance to the preparation of this annual report, requiring all municipalities to report within the established framework and for such reports to be submitted to the Auditor General at the same time as the Annual Financial Statements in August each year.

According to the MFMA, this Report should include:

- (a) The annual financial statements of the Municipality, and consolidated annual financial statements, submitted to the Auditor-General for audit in terms of section 126 (1) of the MFMA
- (b) The Auditor-General's audit report in terms of section 126 (3) of the MFMA and in accordance with s45 (b) of the MSA; on the financial statements in (a) above;
- (c) The annual performance report of the Municipality as prepared by the iLembe District Municipality in terms of section 45(b) of the Local Government: Municipal Systems Act 32 of 2000 (MSA);
- (d) An assessment of the arrears on municipal taxes and service charges;
- (e) An assessment of the Municipality's performance against the measurable performance objectives referred to in Section 17 (3) (b) of the MFMA for revenue collection from each revenue source and for each vote in the Municipality's approved budget for the financial year
- (f) Corrective action taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d); and
- (g) Recommendations of the Municipality's Audit Committee

In the Budget Vote Speech to the National Council of Provinces on 21 June 2018, the Minister of Cooperative Governance Dr Zweli Mkhize revealed that Municipalities are owed R139 billion for municipal services. I am reminded of this fact today as I write the foreword of this annual report

as the Accounting Officer of iLembe, with us seating on a debt of R 271 380 045 million for services as at end of June 2018 owed to us by residents.

The effect of non-payment has a negative impact on the cash flow of the Municipality and negatively affects financial viability. Non-payment directly impacts the day to day operations of the municipality as we have limited revenue to fund operational expenditure and internally funded capital projects.

With the wisdom and unwavering support of our political leadership, as management we were able to do all we could do to sail through the challenges. This includes amongst other things the door-to-door revenue enhancement campaigns we have held in Mandeni Local Municipality so far. These campaigns seek to encourage the community to pay for municipal services and we will soon be rolling them out to the other three local municipalities.

This report records the performance and progress made by the iLembe District Municipality in fulfilling its strategic objectives contained in the Integrated Development Plan (IDP), Institutional Scorecard and Service Delivery and Budget Implementation Plan (SDBIP) approved by Council for the year under review. The 2017/2018 financial year saw us enjoy a string of successes from an administrative perspective. We are also required to report on the performance of the municipality's entity, which is iLembe Enterprise for which we have total ownership.

As leadership and management we are content with the level of improvement in the manner in which we live up to the promise of delivering services to our people. Of course this is limited to the powers and functions that are allocated to the District Municipality as well as the limited financial and technical resources and other factors that have a bearing on our ability to deliver services to our people.

## **FINANCIAL PERFORMANCE**

Financial Viability remains a priority amongst the organizational strategic imperatives. The financial year under review was not different from other financial years in terms of placing a dedicated focus on how the financial situation of the Municipality can be turned around from the historic turbulent position into a more stable one. As we are closely approaching third year of implementing the financial turnaround strategy that was adopted by Council back December

2016, it is indeed encouraging to report remarkable achievement in certain critical areas though we are very mindful of those that remain a challenge.

One of the key areas Council had set itself to prioritize implementing was the issue of budget control. It is pleasing that as we speak, the Municipality has constantly maintained fully cash funded budget over the past two financial years. While this control is in place, the Municipality has been able to manage its budget efficiently, resulting in 99% of budget spent in expenditure (capital and operational combined). Approximately 86% of capital budget was spent on agreed IDP projects with the balance of budget not spent mainly as a result of bid objections that the Municipality had to deal with through the requisite SCM processes.

While liquidity still remains one of the major challenges that the Municipality still has to contend with, the situation is improving. 30 days cash on hand was reported for the 2017/18 financial year compared to the 2 days cash on hand reported in the previous year. We are projecting that this trend of improvement will continue into the upcoming financial years.

Two areas that remain the greatest challenge for the Municipality is the debt collection rate and the inability to pay suppliers on time at certain times. On average, it took the Municipality 39 days to pay suppliers during 2017/18 financial year against a target of 30 days from date of receiving an invoice. In the same period, the Municipality's debt collection rate stood at 69%. Management is working tirelessly to improve on these and other areas where we have not done well.

#### **BEST INTEGRATED DEVELOPMENT PLAN (IDP) IN KZN**

Our 2017/2018 IDP was rated number five as one of the top IDP's amongst the 61 KZN municipalities by the MEC: COGTA Award. The recognition was for producing an IDP that has remained in the top 10 IDP's in KZN for eight consecutive years. The review of the IDP remained essential in order to ensure effective service delivery and drive strategic projects in the municipality. Public engagements were held with the communities of the respective local municipalities to engage them on their needs and the approval of the budget in October/November 2017 and April/May 2018.

A number of these roadshows were attended by His Worship the Mayor Cllr Siduduzo Gumede, EXCO members, fellow councillors and myself as the acting Municipal Manager. All sectors, including Amakhosi, religious and business leaders, were also consulted during this process.



In the State of the Nation Address in February 2018, President Cyril Ramaphosa rallied the nation behind a new dawn. The view of the new dawn has been derived from the lyrics of the song by the legendary late Hugh Masekela aptly titled *Thuma Mina* (Send Me). As iLembe District Municipality we are saying; let us all as residents and ratepayers of this beautiful district allow ourselves to be vessels of change. Let us all allow ourselves to be sent to go and make a difference in our wards, in our communities, in our municipalities, in our province and ultimately in our country.

#### **TOP FIVE (5) STRATEGIC RISKS FACING THE MUNICIPALITY DURING 2017/2018**

It is important to mention that to ensure the long term sustainability of the municipality, as a collective, we need to deal with the top five risks that have been identified. Below are the top 5 strategic risks that have been identified during the period under review, with good political and administrative will to address them:

- Sustainability of the Municipality is compromised due to low liquidity ratio.
- Technical Services: Scarce raw water sources.
- Human Resources: Unemployment of Youth within the District.
- Strategy: Inappropriate Corporate culture.
- Human Resource: Inability to monitor performance and reward exceptional performance for non-S56 employees.

As I conclude I would like to thank our political leadership, management team and all our employees for their hard work and continued commitment in ensuring that iLembe District Municipality deliver on its obligations and commitment to the people of South Africa. I look forward to another year in which we will continue to build on our achievements and work together to find innovative ways to overcome our challenges and ensure we continue to serve our people.



**MR G KUMALO**  
**Municipal Manager**

**Date: 28 March 2019**

## 1.3 MUNICIPAL OVERVIEW

### 1.3.1 ILEMBE DISTRICT MUNICIPALITY PROFILE

The iLembe District Municipality (DC29) lies on the east coast of KwaZulu-Natal, between eThekweni Metro in the south and King Cetshwayo District in the North. To the west, iLembe is bordered by two Districts; uMgungundlovu and uMzinyathi. At 3 260km<sup>2</sup>, this is the smallest of the 10 KZN District Municipalities with a total population of approximately 657,612 people (Stats SA Community Survey 2016). iLembe District is constituted by four Local Municipalities; Mandeni, KwaDukuza, Ndwedwe and Maphumulo. See map 1 for an Overview of the iLembe Region.

iLembe is located between two of Africa's busiest ports, Durban and Richards Bay, on the primary economic development corridor in the province, and is therefore well positioned not only to local, but also international markets, the King Shaka International Airport and the Dube Trade Port, just a few kilometres from the southern border of iLembe, have amplified what was already a prime investment destination. The District is made up of 45 Traditional Authorities (TA) areas where settlement is controlled by TA according to a traditional land tenure system. These TA areas cover approximately 63% of the total area of iLembe; where the Ingonyama Trust own the majority of the land within the municipality of Maphumulo, the lower reaches of Ndwedwe (69%) and coastal and inland reaches of Mandeni (49%).

The northern areas of Ndwedwe, the central corridor of Mandeni and KwaDukuza Municipality are the commercial farming hubs of the District. The commercial farming areas of KwaDukuza, Mandeni and Ndwedwe (31% of the iLembe District) are mainly under privately owned sugar cane. Areas of urbanisation in the District comprise of KwaDukuza, Mandeni, the Dolphin Coast and Nkwazi Land uses within these areas are typically urban mixed uses with high levels of infrastructural and service development and an adequate provision of social facilities and services to support the resident populations. Industrial development is concentrated in KwaDukuza, IsiThebe and Darnall, most notably

the Gledhow and Darnall sugar milling operations at Stanger and the Sappi Paper mills at Mandeni.

Informal settlements with limited facilities or infrastructural services occur on the periphery of the developed areas and within the towns of iLembe. Village centres such as Maphumulo and Ndwedwe in the west, Nyoni and Mbizimbelwa in the north, comprise of commercial and service development in the rural areas. They largely exist in association with a magistrate's court, clinic, pension pay point, health, education and welfare office or similar state service. Wholesale commercial activities have expanded and these villages have emerged as supply centres and transportation hubs to the remote rural areas of iLembe.

Despite its strategic location, iLembe faces numerous economic challenges such as the high levels of poverty in the rural inland areas, which contrasts with rapid development along its coastal regions. The District has been proactive in developing Enterprise iLembe, a broad based institution aimed at facilitating local economic development in response to its challenges of high rates of unemployment and correspondingly high levels of poverty.

#### **MUNICIPAL VISION**

***"By 2030 iLembe District Municipality will be a sustainable people-centred economic hub providing excellent services and quality of life"***

#### **1.3.2 ILEMBE DISTRICT MUNICIPALITY'S 5 YEAR STRATEGIC PLAN ALIGNED TO THE NATIONAL KPAS AND PGDS**

Section 25 of the Municipal Systems Act states that each municipal Council must, after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality. Considering this, iLembe District embarked on a process to review and refine its plans in the context of changing needs and new developments.

The iLembe Strategic Planning session took place on 24 - 27 October 2016, to reflect on the challenges, performance and progress of development initiatives of the previous term

of office, consolidate implementation plans for projects, programmes and pave the way for crafting the new five year, 2017-2022 Integrated Development Plan (IDP) with the current Council.

The table below illustrates iLembe's 5 Year strategic objectives aligned to the 14 National outcomes, PGDS and iLembe's DGDP, as follows:

## **MUNICIPAL VISION**

The current Council assumed office in August 2016 after the local government elections and opted to develop a new vision as follows:

***"By 2030 iLembe District Municipality will be a sustainable people-centred economic hub providing excellent services and quality of life"***

## **ILEMBE DISTRICT MUNICIPALITY'S 5 YEAR STRATEGIC PLAN ALIGNED TO THE NATIONAL KPAS AND PGDS**

KPA 1: MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT				
IDP REF.	NATIONAL OUTCOME	PGDS GOALS	ILEMBE DGDP PRIORITY	5 YEAR STRATEGIC OBJECTIVE
MTI01	4:Decent Employment Through Inclusive Economic Growth  5: A Skilled And Capable Workforce To Support An Inclusive Growth  9: Responsive, Accountable, Effective And Efficient Local Government	1:Inclusive Economic Growth  2:Human Resource Development	Effective Governance, Policy and Social Partnerships	To establish an efficient and productive administration
MTI02				To ensure a sustainable and healthy environment
MTI03				To provide and maintain an effective Document Management System
MTI04				To ensure effective governance through regular Council meetings
MTI05				To provide legal advice and ensure resolution of legal matters against and/or on behalf of the municipality
MTI06				To provide an innovative, effective and efficient Information and Communication Technology service.
KPA 2: LOCAL ECONOMIC DEVELOPMENT (LED) & PLANNING				
IDP REF.	NATIONAL OUTCOME	PGDS GOALS	ILEMBE DGDP PRIORITY	5 YEAR STRATEGIC OBJECTIVE
LED01	4:Decent employment through inclusive economic growth  6:An efficient, competitive and responsive economic infrastructure network  7:Vibrant, equitable and sustainable rural communities and food security for all	1:Inclusive economic growth  3:Human & Community Development  5: Spatial Equity  6: Environmental Sustainability	A diverse and growing economy, promote social well-being	To improve co-ordination of LED in the District
LED02				To upscale Agriculture development in the district
LED03				To capitalize on tourism potential of the District
LED04				To increase Manufacturing output within the district.
LED05				To ensure job creation
LED06				To create an ICT platform available to everyone
LED07				To facilitate co-ordinated planning and development
KPA 3: BASIC SERVICE DELIVERY				
IDP REF.	NATIONAL OUTCOME	PGDS GOALS	ILEMBE DGDP PRIORITY	5 YEAR STRATEGIC OBJECTIVE
BS01	8: Sustainable human settlements and improved quality of household life  9: Responsive accountable, effective and efficient local government system	1: Inclusive economic growth  4: Strategic Infrastructure	Equity of access  A liveable region	To ensure access to potable water for domestic consumption and support local economic development
BS02				To ensure access to basic sanitation for domestic purposes and support local economic development
BS03				Monitor Siza Water concession contract
BS04				Create job opportunities through Infrastructure Project
KPA 4: FINANCIAL VIABILITY & MANAGEMENT				
IDP REF.	NATIONAL OUTCOME	PGDS GOALS	ILEMBE DGDP PRIORITY	5 YEAR STRATEGIC OBJECTIVE
FV01	9:Responsive accountable, effective and efficient local government system	7: Governance and Policy	Effective governance, policy and social partnerships	To ensure sound revenue management
FV02				To ensure sound budgeting and compliance principles
FV03				To ensure sound expenditure management



FV04				To procure quality goods and services in a cost effective, transparent, competitive, equitable and efficient manner within the policy framework
FV05				To maintain a clean audit opinion
FV06				To ensure sound and effective asset management
KPA 5: GOOD GOVERNANCE & PUBLIC PARTICIPATION				
IDP REF.	NATIONAL OUTCOMES	PGDS GOALS	ILEMBE DGDGP PRIORITY	5 YEAR STRATEGIC OBJECTIVE
GP01	9: Responsive accountable, effective and efficient local government system	7: Governance and Policy	Promote social well-being, effective governance, policy and social partnerships & a liveable region	To strengthen partnership with various stakeholders through communicating municipal business
GP02				3: Human and Community Development
GP03	12: An efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship	To ensure prevention and mitigation against disasters		
GP04				To improve the quality of life within the district
GP05				To preserve our History and heritage
GP06				Compliance and good Governance
GP07				To provide independent, objective assurance and consulting services designed to add value and improve the municipality's operations.
GP08				To implement and maintain compliant, effective and efficient enterprise risk management systems and processes.
GP09				To improve the quality of life within the district
GP010				To ensure effective Organisational Performance Management
GP011				To ensure that the entity administration is governed by the sound and effective values and principles as outlined in the constitution of South Africa

**TABLE 1: STRATEGIC OBJECTIVES**

### 1.3.3 GOVERNMENT PRIORITIES

#### a) SUSTAINABLE DEVELOPMENT GOALS (SDG)

At an International level, the Sustainable Development Goals are one of the many United Nations initiatives that guide constituencies on what standards to strive for in terms of people's needs, the environment and other important factors. They serve as a successor to the Millenium Development Goals. They include 17 goals and 169 targets that capture the global aspirations for sustainable development. The municipality's IDP is to some extent aligned with these goals that were adopted in September 2015. The National Development Plan and the Provincial Growth and Development Strategy, to which the iLembe IDP is aligned, have devised interventions that respond to the 17 goals. The current Council has developed this five year IDP that include strategies on how the municipality will be contributing to each of the Sustainable Development Goals between 2017 and 2022. Chapters 3 and 6, contains strategies and projects that link to the SDGs as they appear in the figure below:





**FIGURE 1: SUSTAINABLE DEVELOPMENT GOALS**

<b>SDGS</b>	<b>IDM RESPONSE</b>
<b>SDG 1: End poverty in all its forms everywhere</b>	<ul style="list-style-type: none"> <li>• SMME Support programmes by Enterprise iLembe; and</li> <li>• Operation Sukuma Sakhe interventions.</li> </ul>
<b>SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture</b>	<p>Various agricultural projects implemented by Enterprise iLembe, including:</p> <ul style="list-style-type: none"> <li>• Small holdings farmer support;</li> <li>• National Schools Nutrition Programme; and</li> <li>• Hydroponic Tunnel projects.</li> </ul>
<b>SDG 3: Ensure healthy lives and promote wellbeing for all at all ages</b>	<ul style="list-style-type: none"> <li>• Projects and programmes from the department of health included in Chapter 8; and the municipality is implementing various sporting programmes aimed at youth, senior citizens and people with disabilities.</li> </ul>
<b>SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</b>	<ul style="list-style-type: none"> <li>• Projects and programmes from the department of Education included in Chapter 8 of the IDP.;</li> <li>• Implementation of the municipality's Workplace Skills Plan; and</li> <li>• Implementation of the municipal Bursary Policy.</li> </ul>
<b>SDG 5: Achieve gender equality and empower all women and girls</b>	<p>The municipality is implementing various gender equality programmes to empower women, such as;</p> <ul style="list-style-type: none"> <li>• Implementation of the Municipal Equity Plan;</li> <li>• Take a Girl Child to Work Day initiative;</li> <li>• Teenage Pregnancy Awareness Campaigns; and</li> <li>• Women's Parliament.</li> </ul>
<b>SDG 6: Ensure availability and sustainable management of water and sanitation for all</b>	<p>The municipality is implementing various water infrastructure projects to ensure availability of water, these are included in Chapter 6 of the IDP.</p>
<b>SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all</b>	<ul style="list-style-type: none"> <li>• Eskom projects under Chapter 7 of the IDP.</li> </ul>
<b>SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b>	<ul style="list-style-type: none"> <li>• Enterprise iLembe programmes.</li> </ul>
<b>SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</b>	<p>The municipality is implementing various water infrastructure projects to ensure availability of water, these are included in Chapter 6 of the IDP.</p>
<b>SDG 10: Reduce inequality within and among countries</b>	N/A

<b>SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable</b>	The municipality, through water and sanitation infrastructure projects is facilitating the establishment of sustainable human settlements.
<b>SDG 12: Ensure sustainable consumption and production patterns</b>	<ul style="list-style-type: none"> <li>• The municipality is currently piloting a Recycling programme; and</li> <li>• Development of an Integrated Waste Management Plan.</li> </ul>
<b>SDG 13: Take urgent action to combat climate change and its impacts</b>	The municipality will be developing a Climate Change Response Strategy.
<b>SDG 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development</b>	The two coastal Local Municipalities, KwaDukuza and Mandeni, have developed Coastal Management Plans.
<b>SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</b>	The municipality has concluded a Wetland assessment and the draft action plan is included as part of the municipal IDP.
<b>SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</b>	<p>The municipality has various measures in place such as the:</p> <ul style="list-style-type: none"> <li>• Anti-Fraud and Corruption Policy and Strategy;</li> <li>• A functional external audit committee;</li> <li>• A functional risk management committee; etc.</li> </ul>
<b>SDG 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development.</b>	The municipality has partnered with various international organisations, including SECO (Switzerland) and ICLEI on economic development and environmental management programmes, respectively.

TABLE 2: ILEMBE'S RESPONSE TO SDG'S

## B) MEDIUM TERM STRATEGIC FRAMEWORK

MTSF OUTCOMES	IDM RESPONSE
1. Improve the quality of basic education	Department of Education
2. A long and healthy life for all South Africans	Projects and programmes from the department of health included in Chapter 8; and the municipality is implementing various sporting programmes aimed at youth, senior citizens and people with disabilities.
3. All people in South Africa are and feel safe	South African Police Service

<b>4. Decent employment through inclusive economic growth</b>	Department of Economic Development; Department of Trade and Industry; and Enterprise iLembe.
<b>5. A skilled and capable workforce to support an inclusive growth</b>	Projects and programmes from the department of Education included in Chapter 8 of the IDP.; Implementation of the municipality's Workplace Skills Plan; and Implementation of the municipal Bursary Policy.
<b>6. An efficient, competitive and responsive economic Infrastructure network</b>	Projects and programmes by Eskom under Chapter 8 of the IDP.; and Water and Sanitation Projects by the municipality under Chapter 6 of the IDP.
<b>7. Vibrant, equitable and sustainable rural communities with food security for all</b>	Various agricultural projects implemented by Enterprise iLembe, including: Small holdings farmer support; National Schools Nutrition Programme; and Hydroponic Tunnel projects.
<b>8. Sustainable human settlements and improved quality of household life</b>	The municipality, through water and sanitation infrastructure projects is facilitating the establishment of sustainable human settlements.
<b>9. A responsive and accountable, effective and efficient local government system</b>	The Implementation plan contained in Chapter 6 of the IDP.
<b>10. Environmental assets and natural resources that is well protected and continually enhanced</b>	The Municipality has concluded the following Environmental plans: The Environmental Management Framework; Wetland Assessment Report; and Coastal Management Programmes (Mandeni and KwaDukuza).
<b>11. Create a better South Africa and contribute to a better and safer Africa and World</b>	All Government Departments.
<b>12. An efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship.</b>	Governance projects included in Chapter 3 and 6 of the IDP.
<b>13. Inclusive and responsive social system</b>	Special projects that are included in Chapter 3 of the IDP.
<b>14. Transforming and unifying the country</b>	iLembe is implementing a number of programmes that foster social cohesion and nation-building, these include: SALGA Games; Golden Games; and



TABLE 3: ILEMBE'S RESPONSE TO THE 14 NATIONAL OUTCOMES

### c) BACK-TO-BASICS APPROACH

#### "SERVING OUR COMMUNITIES BETTER!!"

The Back to Basics programme outlines governments' plan of action to ensure a focused and strengthened local government by getting the basics right and together with other spheres of government, providing basic services efficiently and effectively and in a caring manner. The main goal is to improve the functioning of municipalities to better serve communities by getting the basics right.

Government has enforced a back-to-basics approach for the country's 278 municipalities. The back-to-basics approach want to sure that robots work, making sure that potholes are filled, water is delivered, refuse is collected, electricity is supplied, refuse and waste management takes place in the right kind of way. Systems to allow national and provincial governments to monitor the performance of municipalities and ensure they respond to crises quicker would be put in place.

These key performance areas for the Back-to-Basics Approach are premised on the five pillars as follows:



FIGURE 2: PILLARS OF BACK TO BASICS

The key performance indicators are assessed under each pillar on a quarterly basis. The programme is measured on an assessment that is main questions, scored and supplementary questions considered and the support plan that is implementation on progress. A 60/40 principle will be applied in terms of scoring. The final results will be categorised as functional, challenged and requiring intervention. The understanding of the categorisation is as follows:

### Functional

A good municipality with a score above 70%

- Political stability, functional structures and health admin interface.
- Responsive to service needs & infrastructure well maintained.
- Institutional continuity, clear policy, delegation frameworks in place.
- High collection rate, 7% on maintenance, CAPEX spent and clean audits.
- Community satisfaction, regular engagements and feedback.

### Challenges

A municipality is at risk with a score between 51% to 69%:-

- Signs of political instability, excessive interference in admin or SCM.
- Slow responses to service failures, escalating utility losses or theft.
- Some critical positions not filled, some managers not qualified.
- Low collection rates, CAPEX not spent, declining audit opinions.
- Growing community protests, lack of feedback mechanisms.

### Requiring intervention

A municipality with a score below 50%:-

- High degree of instability, fraud and corruption, committees don't meet
- Collapse in service delivery, outages, asset theft, and poor maintenance.
- Incompetent managers, many vacancies, no delegations.
- Chronic underspending, high debtors, no accountability, disclaimers
- Community dissatisfaction, high number of community protests.

It is against this background that the Ministry of Cooperative Governance and Traditional Affairs has pursued the *Back to Basics Approach* to address challenges faced by local government, strengthening municipalities, instilling a sense of urgency towards improving citizens' lives.

The table below illustrates the latest Back to Basics status for iLembe family of municipalities.

MUNICIPALITY	DCOG Sept 2014	IMPROVED / REGRESSED / UNCHANGED			
		KZN COGTA June 2015	KZN COGTA March 2016	KZN COGTA June 2016	KZN COGTA Sept 2016
iLembe DM	Functional	Functional	Challenged	Challenged	Functional
KwaDukuza LM	Functional	Challenged	Requiring Intervention	Challenged	Functional
Mandeni	Challenged	Challenged	Requiring Intervention	Functional	Challenged

<b>Maphumulo</b>	Functional	Challenged	Requiring Intervention	Challenged	Requiring Intervention
<b>Ndwedwe</b>	Challenged	Challenged	Challenged	Requiring Intervention	Requiring Intervention

**TABLE 4: B2B STATUS FOR ILEMBE FAMILY OF MUNICIPALITIES  
RESPONDING TO IMPACTS OF CLIMATE CHANGE**

As part of the implementation of the 2014 District Climate Change resolutions the District is implementing the following project:

<b>PROJECT NAME</b>	<b>PURPOSE</b>	<b>DURATION</b>
<b>Technological need assessment</b>	Identify a list of technologies for the water (adaptation) and energy (mitigation) sector	January to December 2017
<b>Local Action for Biodiversity (LAB): Wetlands South Africa</b>	Identification of wetlands and management	2015 to 2017
<b>South africa's low emission programme</b>	Identify energy efficiency opportunities within treatment plants and office buildings	2016 to 2020
<b>Energy Efficiency programme</b>	Implementing the energy efficiency programme within municipal facilities including buildings	2017/2018 financial year
<b>Recycling programme</b>	to promote recycling within the municipal offices	on-going

**TABLE: PROGRAMMES RESPONDING TO CLIMATE CHANGE**

**d) DISTRICT GROWTH AND DEVELOPMENT PLAN (DGDP)**

The iLembe DGDP provides a framework of ensuring the already adopted IDP vision is realized. This will be achieved through a series of goals, strategic objectives, and interventions. All of these will be ultimately linked to a set of apex and primary indicators to measure the level of DGDP implementation.

In 2013, Council adopted the iLembe Regional Spatial Development Plan (IRSDP), which essentially provided a blueprint for the District to become a "sustainable region" by 2050. It was therefore necessary that in developing the DGDP, the proposals contained in the IRSDP were considered. To this end, there is alignment between the five pillars contained in the IRSDP and the six goals of the DGDP as follows:



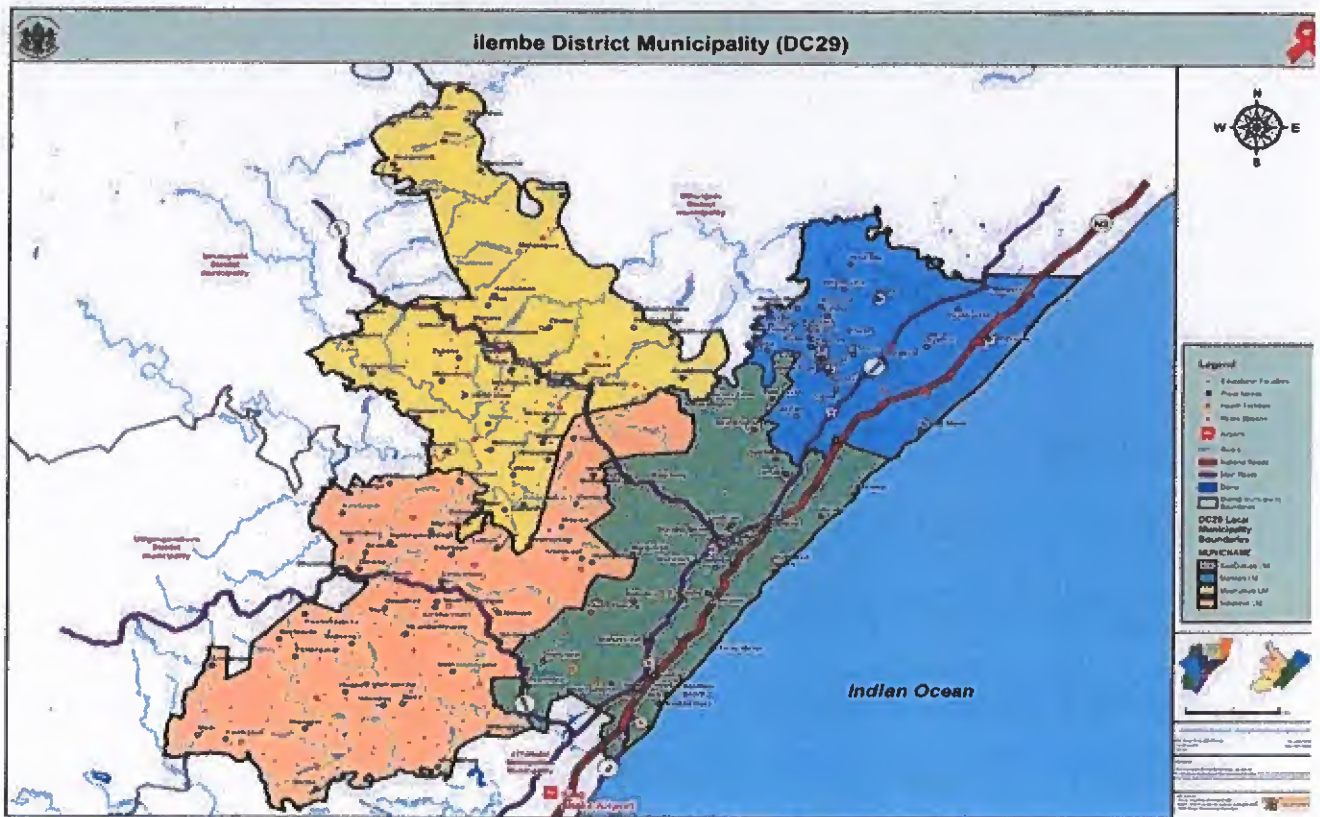
KZN PGDP GOAL	ILEMBE DISTRICT GOAL
Inclusive Economic Growth	A diverse and growing economy
Human resource development	Promote social well-being
Human and community development	
Strategic Infrastructure	Provide equitable access
Spatial equity	A liveable region
Environmental sustainability	Living in harmony with nature
Governance and policy	Effective Governance, Policy and Social Partnerships

TABLE 5: DGDP OBJECTIVES

As evident from the table above, essentially the aim of the DGDP is to ensure synchronization between the District goals and objectives and Provincial goals and objectives. The District goals are an informant to the strategic interventions/projects proposed in the DGDP. These interventions are key to the municipality's ability to achieve its vision.

In the process of compiling the DGDP, the iLembe family hosted the District Growth and Development Summit. This was a multi-sectorial engagement to devise strategies and projects that would encourage economic growth in iLembe. The resolutions of the summit have been incorporated into the strategic objectives of the DGDP.

Due to the long term nature of this plan (2030 vision aligned to PGDS) it was essential that the interventions were expressed with short, medium, and long term horizons i.e. short term 2016-2020, Medium term 2021-2025, and Long term 2026-2030. A comprehensive copy of the DGDP is contained in the municipality website.



**MAP 1: OVERVIEW OF THE ILEMBE REGION**

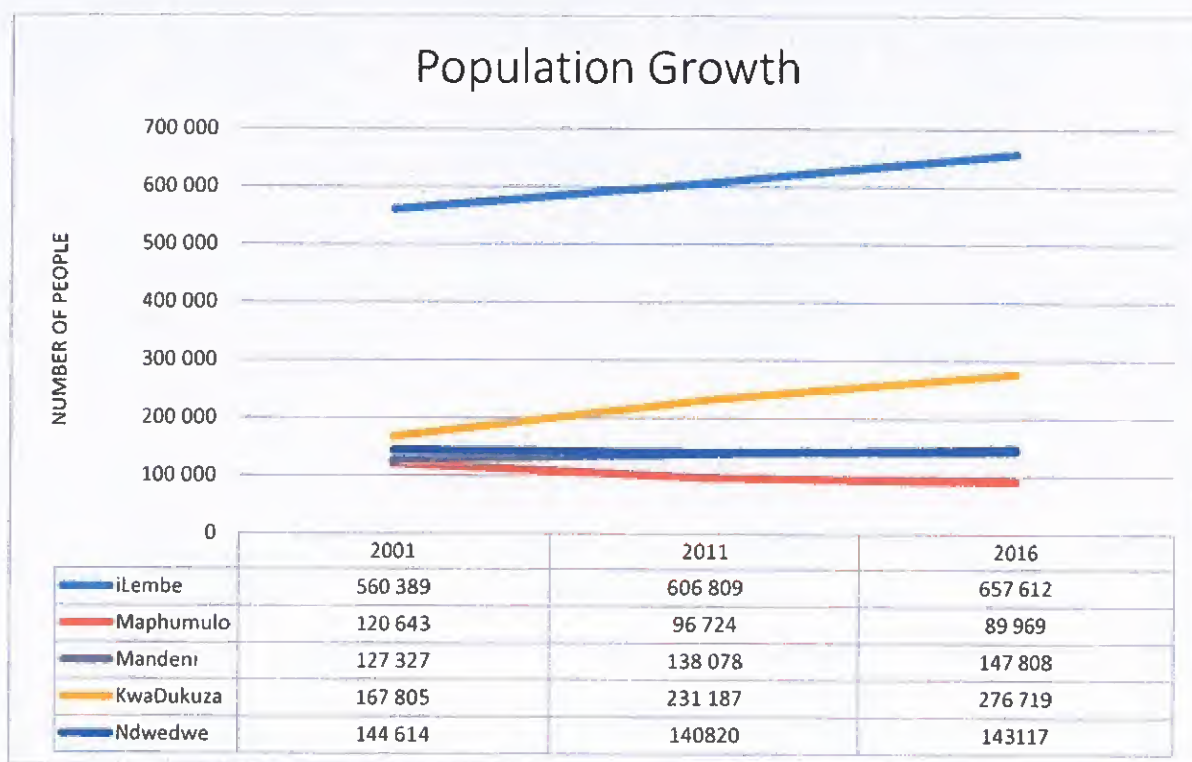
## DEMOGRAPHIC CHARACTERISTICS

The Statistics SA Census data for 2001 and 2011 and the results of the 2016 Community Survey have been used for the demographic and the economic information in this section.

### a) POPULATION AND HOUSEHOLD PROFILES

The recent Community Survey (2016) results show that the population in iLembe District has grown to 657,612 people and has been growing at 1.7% per annum from 2011 to 2016, this is shown in the graph and tables below. In contrast to the previous comparison of 2001 and 2011 results, where both rural municipalities of the district (Maphumulo and Ndwedwe) were seen to have a decrease in population, Ndwedwe is now experiencing an increase but Maphumulo remains on a downward trajectory as portrayed below. Table 3 further depicts how the rate of population growth has increased per annum in three of the four local municipalities of iLembe, the overall growth rate having increased from 0.8% per annum to 1.7% per annum.





**GRAPH 1: POPULATION GROWTH 2001 TO 2016**  
**STATISTICS SA CENSUS 2001, 2011 & COMMUNITY SURVEY 2016**

Municipality	Population Growth (% p.a. 2001-2011)	Population growth (% p.a. 2011-2016)
iLembe District	0.80	1.7%
Maphumulo	-2.21	-7%
Mandeni	0.81	1.4%
KwaDukuza	3.20	3.9%
Ndwedwe	-0.27	0.3%

**TABLE 6: POPULATION GROWTH COMPARISON**  
**STATISTICS SA CENSUS, 2011 & COMMUNITY SURVEY 2016**

According to the Community Survey 2016, the number of households within iLembe District has risen to 191,369 from 157,692 in 2011 and is now growing at 4.3% per annum. Households in KwaDukuza have grown at a fairly rapid rate of 6.0% per annum; despite a further decline in the population, the number of households in Maphumulo has risen slightly. One could speculate that the decline in population but with an apparent increase in number of households may be due to further decrease in the average size of households. As per the Community Survey 2016, the average household size in the District has decreased from 3.8 to 3.4 and the percentage of female headed households has risen from 45.8% to 47.1% which is above the national average of 41%.

Municipality	Number (2016)	Household Growth (% p.a.) (2016)	Average Size (2016)	Female Headed % (2016)	Child Headed (2011)	
					Number	%
iLembe	191,369	4.3%	3.4	47.1	614	0.4%
Maphumulo	20,524	0.6%	4.4	61.6	115	0.6%
Mandeni	45,678	3.9%	3.2	51.1	167	0.4%
KwaDukuza	91,284	6.0%	3.0	39.1	113	0.2%
Ndwedwe	33,883	3.2%	4.2	54.6	218	0.7%

**TABLE 7: HOUSEHOLD STATISTICS**

*STATISTICS SA CENSUS, 2011 & COMMUNITY SURVEY, 2016*

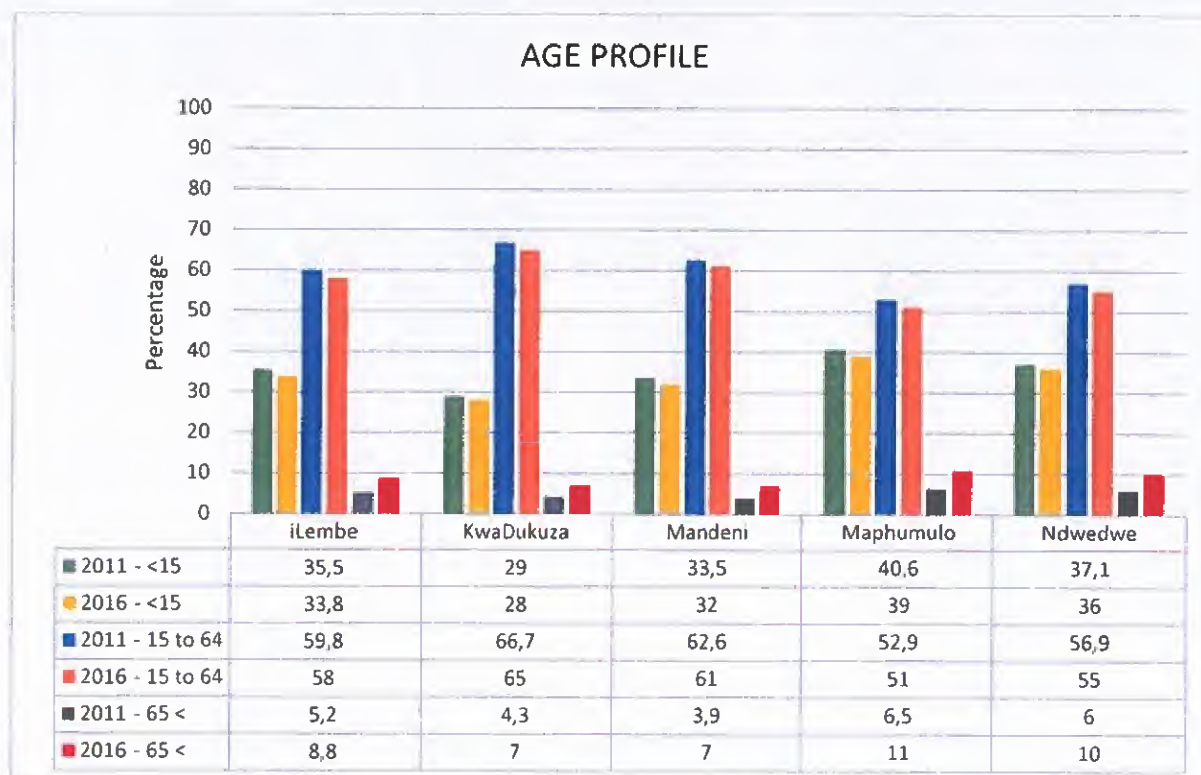
**TABLE 8: HOUSEHOLD STATISTICS**

*STATISTICS SA CENSUS, 2011 & COMMUNITY SURVEY, 2016*

It is noted that the above population and household statistics fluctuations are implications of the socio-economic conditions prevalent in the different localities of iLembe. Further analyses the status quo of the economies of the different local municipalities, levels of poverty, employment/unemployment and also gives a view on what has been done to stimulate growth, especially in the field of LED.

## **b) AGE PROFILES**

The graph below provides an indication of the age distribution within the district as recorded in 2011, compared with the results of the 2016 Community Survey. Within iLembe, 35,5% of the population is under the age of 15, KwaDukuza has the lowest percentage 29% and Maphumulo has the highest percentage of the population under 15 years at 40%. Throughout the district, it seems that all age groups under 65 years have decreased in percentage whilst the percentage of the age group of 65+ has risen. Compared to the other Local Municipalities of the district, KwaDukuza has the highest percentage of the working age group at 66, 7% whilst Maphumulo has the lowest at 52,9%. The majority of people within the District are of working age, however the available employment opportunities are not adequate to absorb this high number- this will be further elaborated upon in the employment profile.



**GRAPH 2: AGE PROFILE**

*STATISTICS SA CENSUS, 2011 AND COMMUNITY SURVEY 2016*

### **C) GENDER PROFILES**

The gender profile of the iLembe District population is typical of the trend prevalent throughout other district municipalities in KZN meaning that there is a greater number of females (341,926) residing in the area compared to males (315,686). Although the population has increased, according to the Community Survey of 2016, the gender ratio remains the same as previously highlighted in the 2011 Census.



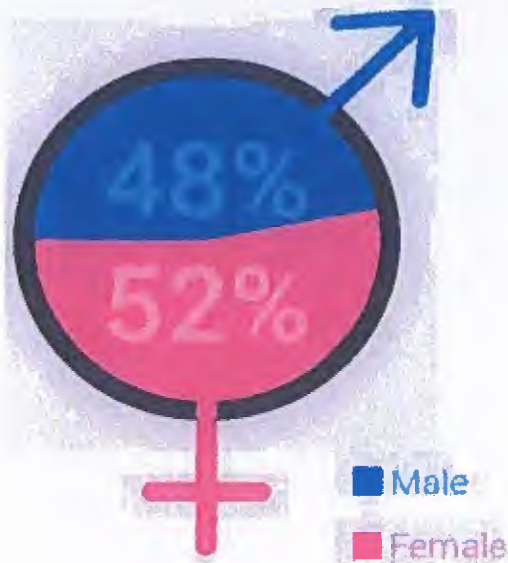
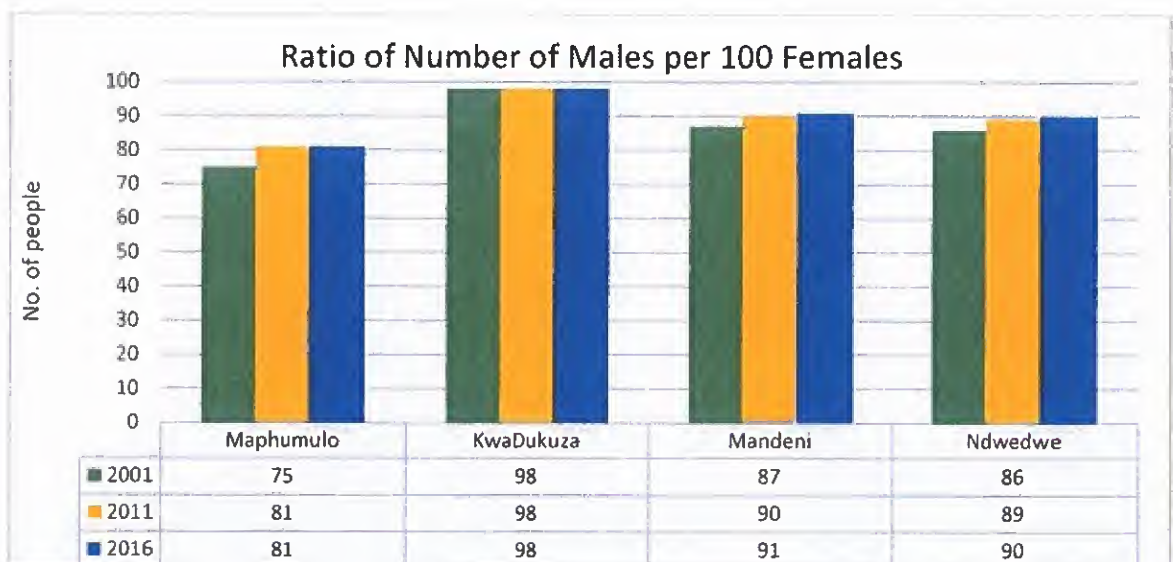


FIGURE 3: DISTRICT GENDER PROFILE

STATISTICS SA CENSUS, 2011 AND COMMUNITY SURVEY, 2016

### c) SEX RATIO (MALES PER 100 FEMALES)

The graph below displays the gender distribution within local municipalities. In iLembe, for every 100 females there are 92 males. KwaDukuza is the most even at almost an equal split between gender groups, whereas Maphumulo is the most uneven with only 81 males for every 100 females.

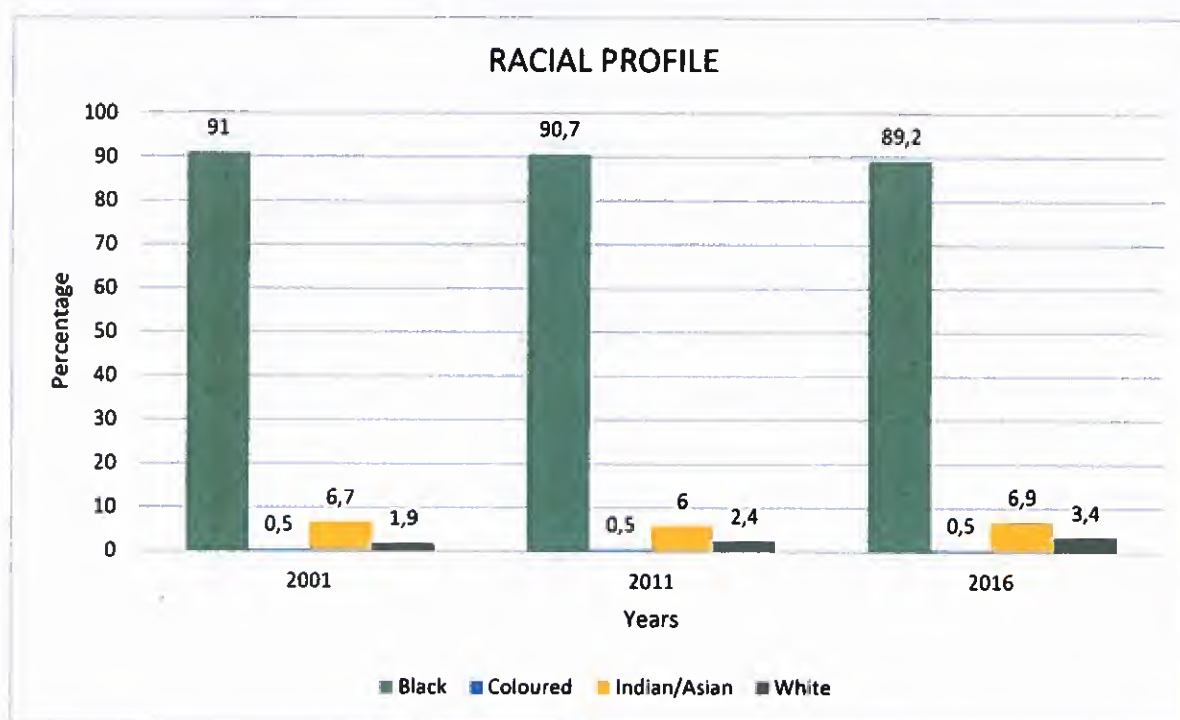


GRAPH 3: ILEMBE GENDER PROFILE

STATISTICS SA CENSUS, 2001, 2011 & 2016

#### d) RACIAL PROFILE

The graph below displays the split of the population of the district by population group from 2001 to 2016. Within the District, the percentage of Black people has shown a slight decrease as the graph depicts that in 2001 the percentage was 91% and at present it is 89, 2% whilst the percentage of White people is steadily increasing from 1, 9 % in 2001 to 3.4% in 2016. Between 2001 and 2011 the Asian population declined slightly, however between 2011 and 2016, the percentage has shown an increase from 6 to 6.9%. The Coloured population remains constant at 0.5% of the population of iLembe District.



**GRAPH 4: RACIAL PROFILE**

**STATISTICS SA CENSUS, 2001 & 2011 AND COMMUNITY SURVEY 2016**

**GRAPH 4: RACIAL PROFILE**

**STATISTICS SA CENSUS, 2001 & 2011 AND COMMUNITY SURVEY 2016**

In considering the graph above, it is apparent that iLembe is dominated by different races of people who subscribe to different customs and beliefs. iLembe as an institution supports cultural events that take place within the District as part of promoting nation building and social cohesion, programmes.

#### 1.4. DISTRICT FUNCTIONS AND POWERS

The following are the Powers and Function that section 156 of the Constitution (1996) of the Republic of South Africa accords to the ILembe District Municipality:

<b>DISTRICT POWERS &amp; FUNCTIONS (CHAPTER 7, SECTION 156 OF CONSTITUTION)</b>	
1. IDP	
2. Bulk Water	
3. Bulk Sewerage Purification	
4. Health Services	
5. Tourism	
6. Public Works relating to the above	
7. Grants-receiving & distributing	
8. Impose, Collect taxes & levies	
9. Disaster Management	
10. Accountability	
11. Community participation	
12. Financially & Environmentally sustainable service delivery	
13. Equitable Access to Municipal Services	
14. Local Development	
15. Gender Equity	
16. Safe and Healthy Environment	
17. Performance Management Systems	
18. Incremental Improvement	
19. Responsible Financial Management	

The 2017/2018 Annual Report is therefore aimed at presenting to Council, the community and other agencies the performance of the municipality in the above- mentioned powers and functions.



## CHAPTER 2: GOVERNANCE

### 2.1. POLITICAL AND ADMINISTRATIVE GOVERNANCE

iLembe District Municipality's council operates under the collective executive system. In terms of section 42 of the Local Government: Municipal Structures Act, 1998 the Council has established an Executive Committee consisting of six (6) Councillors. The Council has also established the following Portfolio Committees to assist the Executive Committee:-

- Economic Development, Planning Health And Safety Portfolio Committee
- Infrastructure and Technical Portfolio Committee
- Finance Portfolio Committee; and
- Local Public Administration and Labour Relations Portfolio Committee.

Each of these committees is established in terms of the Section 80 of the Municipal Structures Act to assist the Executive Committee (EXCO). These committees deliberate on matters that fall within the specific terms of references of that particular committee and make recommendations to the Executive committee for approval or where necessary for endorsement by the executive committee for final approval by the full council.

There are delegations in place for the operations of the EXCO with the exception of the power's provided to council in terms of Section 160(2) of the constitution of the republic of South Africa, 1996. The District EXCO can only make recommendation for approval of such matters.

To assist in performing the oversight role, iLembe District Municipality has also appointed the following committees:

- i. Audit Committee in accordance with the Municipal Finance Management Act 56, of 2003 section 166, and operates within the terms of the Audit Committee Charter, which outlines its modus operandi. The Audit Committee charter is approved by the Council of iLembe District Municipality.
- ii. A Municipal Public Accounts Committee. The Committee consists of six (6) Councillors of the Municipality, who are not members of the Executive Committee. The Chairperson of the Committee is appointed by the Council. The functions of the Committee include the examination of the annual report of the Council and the

development of the annual oversight report based on the annual report. The annual oversight report is published separately from the annual report.

### 2.1.1 POLITICAL GOVERNANCE



**His Worship The Mayor**  
**Cllr SS Gumede**



**Hon Deputy Mayor**  
**Cllr. MD Shandu**



**Hon. Speaker**  
**Cllr. L. Makhathini**

<b>Name</b>	<b>Gender</b>	<b>Designation</b>	<b>Party Affiliation</b>
Cllr. SS Gumede	Male	Chairperson	ANC
Cllr. Shandu	Female	Deputy Mayor	ANC
Cllr. Sandeep	Male	Member	ANC
Cllr. Maphumulo	Male	Member	ANC
Cllr Gopaul	Male	Member	DA
Cllr. Baardman	Male	Member	IFP
Cllr LR Makhathini	Male	Ex officio	ANC

#### 2.1.1.1 COUNCILLORS

iLembe District Municipality comprised of a total of thirty two (32) Councillors of which nineteen (19) were Ward nominated Councillors and the other thirteen (13) are Proportionally Representative (PR) Councillors. Council continues to operate on an Executive Committee System. In respect of the PR Councillors, there were eight (8) males and five (5) female Councillors. The gender composition on the Ward Councillors is seven (7) females and twelve (12) males. Overall there are thirteen (13) female Councillors and nineteen (19) male Councillors.

Political Parties are represented as follows in the iLembe District Municipality Council: -

PARTY	PR SEATS	NOMINATED COUNCILLORS	TOTAL
African National Congress	9	13	22
Inkatha Freedom Party	2	4	6
Democratic Alliance	1	2	3
National Freedom Party	0	0	0
Economic Freedom Party	1	0	1
<b>TOTAL</b>			<b>32</b>

## 2.1.1.2 ILEMBE DISTRICT MUNICIPALITY COUNCILLORS

### (a) PROPOTIONAL REPRESENTATION LISTS

#### (i) AFRICAN NATIONAL CONGRESS

NO.	SURNAME	NAMES	GENDER
1	Gumede	Siduduzo Siegsried	M
2	Shandu	Monitha Dolly	F
3	Makhathini	Lucky Regionald	M
4	Mhlongo	Maureen Zola	F
5	Ntuli	Sibongile Florence	F
6	Khumalo	Catherine Tholakele	F
7	Mpofu	Makhosini Desmond	M
8	Maphumulo	Musawenkosi Aubrey	M
9	Oudhram	Sandeep	M

#### (ii) INKATHA FREEDOM PARTY

NO	SURNAME	NAMES	GENDER
1.	Nene	Ntombenhle Cythia	F
2	Ntuli	Musawenkosi Simeon	M



**(iii) DEMOCRATIC ALLIANCE**

NO.	SURNAME	NAMES	GENDER
1	Gopaul	Andrew	M

**(iv) ECONOMIC FREEDOM PARTY**

NO.	SURNAME	NAMES	GENDER
1	Vilakazi	Innocent Ndumiso	M

**2.1.1.3 NOMINATED COUNCILLORS: KWADUKUZA MUNICIPALITY**

**(a) AFRICAN NATIONAL CONGRESS**

NO.	SURNAME	NAMES	GENDER
1	Ngidi	Muzi Emmanuel	M
2	Dube	Innocent Phumelele	F
3.	Singh	Radwaath	M
4.	Ngidi	Thandeka Sinenhlanhla	F
5.	Van Whye	James Gabangani	M

**(b) INKATHA FREEDOM PARTY**

NO.	SURNAME	NAMES	GENDER
1	Baardman	Aubrey Mtolo	M

**(c) DEMOCRATIC ALLIANCE**

NO.	SURNAME	NAMES	GENDER
1.	Singh	Madhum S	M
2.	Hubner	Malcolm William	M

**2.1.1.4 NOMINATED COUNCILLORS: NDWEDWE MUNICIPALITY**

**(a) AFRICAN NATIONAL CONGRESS**

NO.	SURNAME	NAMES	GENDER
1.	Goba	Philemon Sboniso	M
2.	Shezi	Mamazane Veronica	F
3.	Zondi	Silindile	F



**(b) INKATHA FREEDOM PARTY**

NO.	SURNAME	NAMES	GENDER
1.	Jali	TS	M

**2.1.1.5 NOMINATED COUNCILLORS: MAPHUMULO MUNICIPALITY**

**(a) AFRICAN NATIONAL CONGRESS**

NO.	SURNAME	NAMES	GENDER
1.	Ngcobo	Happiness Nonhlanhla	F
2.	Ncalane	Caroline Zama	F

**(b) INKATHA FREEDOM PARTY**

NO.	SURNAME	NAMES	GENDER
1.	Nyatikazi	Siboniso Zaba	M

**2.1.1.6 NOMINATED COUNCILLORS: MANDENI MUNICIPALITY**

**(a) AFRICAN NATIONAL CONGRESS**

NO.	SURNAME	NAMES	GENDER
1.	Gwala	Andile Mazwi	M
2.	Mhlongo	Malindi Virginia	F
3.	Zungu	Gloria Nompumetelo	F

**(b) INKATHA FREEDOM PARTY**

NO.	SURNAME	NAMES	GENDER
1.	Sithole	David Mthokozisi	M

**2.1.1.7 TYPE OF COMMITTEE AND NUMBER OF MEMBERS**

COMMITTEE	NUMBER OF COUNCILLORS	NUMBER OF VACANCIES
Executive committee	07	Nil
Finance Portfolio Committee	07	Nil
Economic Development and Planning Portfolio Committee	07	Nil
Local Public Administration and Labour Relations Committee	07	Nil
Infrastructure & Technical Portfolio Committee	07	Nil
Youth Sub Committee	05	Nil
Gender Sub Committee	06	Nil

MPAC	06	Nil
Local Labour Forum	05	Nil
Rules Committee	06	Nil

#### 2.1.1.8 EXECUTIVE COMMITTEE

No.	Surname and name	Gender	Designation	Party Affiliation
1.	Cllr. SS Gumede	Male	Chairman	ANC
2.	Cllr. Shandu	Female	Deputy Mayor	ANC
3.	Cllr. Oudhram	Male	Member	ANC
4.	Cllr. Maphumulo	Male	Member	ANC
5.	Cllr Gopaul	Male	Member	DA
6.	Cllr. Baardman	Male	Member	IFP
7.	Cllr LR Makhathini	Male	Ex officio	ANC

#### 2.1.1.9 COMMITTEE ALLOCATIONS

No.	Committee	Councillors
1	<b>Finance Portfolio Committee</b>	
	Cllr S. Oudhram	Chairperson
	Cllr PS Goba	
	Cllr HN Ngcobo	
	Cllr TC Kumalo	
	Cllr ML Ngidi	
	Cllr MW Hubner	
	INKOSI MW Qwabe	
2.	<b>Economic Development, Planning Health And Safety Portfolio Committee</b>	
	Cllr MD Shandu	Chairperson
	Cllr ME Ngidi	
	Cllr MV Shezi	
	Cllr GN Zungu	
	Cllr MS Singh	
	Cllr MS Ntuli	
	INKOSI Gumede	
3.	<b>Local Public Administration and Labour Relations Committee</b>	
	Cllr MA Maphumulo	Chairperson
	Cllr R Singh	
	Cllr ZM Mhlongo	



	Cllr SF Ntuli	
	Cllr TS Jali	
	Cllr MS Singh	
	INKOSI S Khumalo	
4.	<b>Infrastructure &amp; Technical Portfolio Committee</b>	
	Cllr SS Gumede	Chairperson
	Cllr MV Mhlongo	
	Cllr S Zondi	
	Cllr JG Van Whye	
	Cllr D Sithole	
	Cllr MS Singh	
	INKOSI NA Bhengu	

#### 2.1.1.10 SUB COMMITTEES

No	Sub Committee	Councillors
1.	<b>2.1.1.10.1 YOUTH SUB COMMITTEE</b>	
	Cllr ME Ngidi	Chairperson
	Cllr MV Shezi	
	Cllr SF Ntuli	
	Cllr AM Gwala	
	Cllr TS Jali	
2.	<b>2.1.1.10.2 GENDER SUB COMMITTEE</b>	
	Cllr GN Zungu	Chairperson
	Cllr CZ Ncalane	
	Cllr S Zondi	
	Cllr JG Van Whye	
	Cllr NC Nene	
	Cllr MW Hubner	
3.	<b>2.1.1.10.3 MUNIPAL PUBLIC ACCOUNTS</b>	
	Cllr JG Van Whye	Chairperson
	Cllr AM Gwala	
	Cllr DM Mpofu	
	Cllr HN Ngcobo	
	Cllr SZ Nyatikazi	
	Cllr WM Hubner	
4.	<b>2.1.1.10.4 LOCAL LABOUR FORUM</b>	
	Cllr MA Maphumulo	Chairperson
	Cllr R Singh	

	Cllr MD Mpofu	
	Cllr NC Nene	
	Cllr MS Singh	
<b>5.</b>	<b>2.1.1.10.5 RULES COMMITTEE</b>	
	Cllr HN Ngcobo	Chairperson
	Cllr TS Ngidi	
	Cllr PS Goba	
	Cllr IP Dube	
	Cllr MS Ntuli	
	Cllr MW Hubner	

#### **2.1.1.11 THE PURPOSE AND FUNCTIONS OF COMMITTEES**

The following information reflects the different committees of Council and their respective purpose and functions:

##### **(a) Delegations to the Executive Committee**

- Performs the functions of an Executive Committee set out in the Local Government : Municipal Structures Act, 1998;
- Takes such action as may be necessary to ensure compliance by the Council with all legislation relating to or affecting local government, including, but not limited to:-
- The Local Government : Municipal Demarcation Act, 1998
  - The Local Government : Municipal Systems Act, 2000
  - The Promotion of Access to Information Act, 2000
  - The Municipal Finance Management Act, 2003
- Exercises all Powers of the Council which may be delegated by the Council in terms of the Constitution or any other law and which has not been delegated or assigned to any Municipal Functionary or municipal employee or is not deemed to be so delegated or assigned in terms of any law;
- Considers and determines any particular matter or issue or any matter of policy referred to the Committee by the Municipal Manager;
- Takes any necessary or incidental decisions for the management or administration of any resolution of the Council.

**(b) Delegations to the Rules Committee**

- Developing Rules of Order and amendments thereto for recommendation to EXCO.
- Summoning any councillor or official to appear before the committee to assist it in the performance of its functions
- Conducting disciplinary enquiries into Councillor transgressions referred to the Committee by the Speaker or MM, and making recommendations in respect thereof
- Investigating and making findings on any alleged breach of the Code of Conduct for Councillors, and making suitable recommendations including suitable sanctions in terms of Item 14.2 of such Code
- Making written representations to the MEC for Local Government pertaining to an appeal to the MEC by a councillor who has been warned, reprimanded or fined in terms of item 14 (2) (a), (b) or (c) of the Code of Conduct for Councillors

**(c) Delegations to the Finance Portfolio Committee**

- Ensuring compliance with the provisions of MFMA
- Investigating processes and procedures for the implementation of services relating to matters referred to in number 5
- Making recommendations, in line with the IDP, regarding strategic, administrative, technical, financial and procedural issues relating to matters referred to in number 5
- Ensuring stakeholder participation in matters referred to in number 5
- Formulating Policy for recommendation to Council and monitoring implementation in regard to the following matters:-
  - ✓ Audit;
  - ✓ Budget Monitoring;
  - ✓ Credit Control Monitoring;
  - ✓ Expenditure Monitoring;
  - ✓ Imposition and collection of taxes, levies and duties related to the functions of the Municipality;
  - ✓ Income Monitoring;
  - ✓ Indigent Support Programme Monitoring;
  - ✓ Receipt, allocation and, if applicable, the distribution of grants made to the District Municipality;
  - ✓ Supply Chain Management Policy oversight;
  - ✓ Financial Regulations;
  - ✓ Borrowing;
  - ✓ Fixed assets; and
  - ✓ Cash and Investment

✓ **Reviewing of CFO's Monthly Financial Reports**

**(d) Delegation to the Infrastructure and Technical Portfolio Committee**

- Investigating processes and procedures for the implementation of services relating to matters referred to in L 4.
- Making recommendations, in line with the IDP, regarding strategic, administrative, technical, financial and procedural issues relating to matters referred to in number 4
- Ensuring stakeholder participation in matters referred to in number 4
- Formulating Policy for recommendation to Council and monitoring implementation in regard to the following matters:-
  - Bulk Supply of Electricity;\*
  - Domestic waste-water and sewage disposal systems;
  - Municipal Fleet Management;
  - Municipal Buildings;
  - Municipal public works relating to the functions of the Municipality;
  - Municipal Roads which form a part of the road transport system for the area of the District as a whole;
  - Potable water supply systems;
  - Regulation of passenger transport services;
  - Solid Waste Disposal Sites serving more than one local municipality in the District;
- Although this is a statutory function of the District Municipality, the function has not yet been assigned to the Municipality.

**(e) Delegation to the Economic Development, Planning, Health And Safety Portfolio Committee**

- Investigating processes and procedures for the implementation of services relating to matters referred to in M 4.
- Promotion of local tourism for the area of the District; and
- Promotion of social and economic development, including:
  - Agriculture;
  - Industrial Development
  - Job creation;
  - Social Empowerment;
  - Town Planning;
  - Cultural Upliftment; and
  - Poverty Alleviation.

- Making recommendations, in line with the IDP, regarding strategic, administrative, technical, financial and procedural issues relating to matters referred to in number 4
- Ensuring stakeholder participation in matters referred to in number 4
- Formulating Policy for recommendation to Council and monitoring implementation in regard to the following matters:-
  - ✓ Abattoirs serving a major proportion of the municipalities in the District;
  - ✓ Fresh produce markets serving a major proportion of the municipalities in the District;
  - ✓ Integrated Development Planning for the District;
  - ✓ Municipal airports serving the area of the District as a whole;
  - ✓ Promotion of a safe and healthy environment, including:-
    - Conservation;
    - Environmental Planning;

**(f) Delegation to the Local Public Administration and Labour Relations Portfolio Committee**

- Investigating processes and procedures for the implementation of services relating to matters referred to in number 4
- Making recommendations, in line with the IDP, regarding strategic, administrative, technical, financial and procedural issues relating to matters referred to in number 4
- Ensuring stakeholder participation in matters referred to in number 4
- Formulating Policy for recommendation to Council and monitoring implementation in regard to the following matters:-
  - Human Resource Development;
  - Labour Relations; and
  - Local Public Administration.



## 2.1.2 ADMINISTRATIVE GOVERNANCE

### INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

According to the MFMA 60(b): The Municipal Manager of iLembe District Municipality is the accounting officer of the municipality for the purposes of this Act and provides guidance on compliance with this Act to political structures; political office bearers, and officials of the municipality and any entity under the sole or shared control of the municipality, namely Enterprise iLembe.

The iLembe District Municipality has a well-established organizational structures and systems in place. The structure that was in place as at 30 June 2017 was appropriate for the developmental local government mandate assigned to the District Municipality in terms of the Municipal Structures Act, 1998. The Municipality's organisational structure provides for four Directorates that are managed by the Municipal Manager. The District Municipality has four Directorates with senior management per directorate, which are:

Name and Surname	Position
Mr N. G. Khumalo	Acting Municipal Manager
Mr M Chandulal	Chief Finance Officer Department of Finance
Mr N. G. Khumalo	Senior Manager: Department of Corporate Services
Ms K.F. Sithole	Senior Manager: Department of Community Services
Vacant (The incumbent vacated the post as of 31 May 2018, the position was then vacant in June 2018 during the last month of the reporting period)	Senior Manager: Department of Technical Services

## 2.2 INTERGOVERNMENTAL RELATIONS STRUCTURES

There are various Provincial Intergovernmental fora in which the District Mayor sits and represents the District family of Municipalities. There is a Premier's Coordinating Forum which constitutes of MECs, the Mayors, Heads of Departments as well as the Municipal Managers that is chaired by the Provincial Premier. This Forum meets on a quarterly basis and has a sub-structure chaired by the MEC COGTA called the MUNIMEC which is constituted by the all the KZN Mayors Municipal Managers, Heads of Departments as well as the SALGA representative. This sub-structure meets quarterly prior the meeting of the Premiers Coordinating Forum.

There is also a Provincial SALGA structure for all IGR Practitioners and Managers, this structure focuses on strengthening relations as well as the coordination IGR functions within Municipalities. ILembe District Municipality has been engaging with the EThekweni Metro regarding the establishment of the Liberation Heritage Route for EThekweni Metro and ILembe district Family of Municipalities. These Municipalities have had one successful meeting with clear resolutions that are at implementation planning stage as well as draft Terms of Reference.

At the District level, the District Intergovernmental Forum plays a monitoring and oversight role over the family of municipalities. The forum constituted by the Mayors of the District family, the Municipal Managers and chairpersons of technical sub-fora; meets quarterly to discuss issues of mutual interests, explore possible areas of joint ventures as well as monitor progress on compliance issues such as Auditor General related queries, compliance with all finance related legislations and financial management including revenue generation, quality of services delivered to the communities, Municipal Capacitation and so forth.

All Municipalities are represented to ensure that all resolutions taken are implemented respectively. Furthermore the District plays a coordinating role at the request of the Local Municipalities to source assistance and interventions to mitigate challenges experienced by Local Municipalities.

Municipal functioning, challenges and best practices are discussed at technical sub-fora and escalated to the Technical Support Forum which is made up of Municipal Managers and the Chairpersons of technical sub-fora. Once the Technical Support Forum has discussed the reports from the sub-fora a consolidated report with

recommendations and/or resolutions is then escalated to the District Intergovernmental Forum for further consideration.

## DISTRICT INTERGOVERNMENTAL STRUCTURES

There are fifteen (15) IGR structures in the District as illustrated in the table below. These structures are made up of relevant stakeholders from all three spheres of government, government agencies, private entities and Amakhosi.

NO.	NAME OF THE FORUM	MEETING FREQUENCY	CHAIRPERSON	FUNCTIONAL
1	DIF: DISTRICT INTERGOVERNMENTAL FORUM (MAYORS')	Quarterly	District Mayor	Functional
2	TSF: TECHNICAL SUPPORT FORUM (MMS')	Monthly	Municipal Manager of ILembe District Municipality	Functional
3	DAFF: DISTRICT AREA FINANCIAL FORUM (CFOs)	Quarterly	Municipal Manager of Ndwedwe local Municipality	Functional
4	DISTRICT GOVERNMENT IT OFFICERS COMMITTEE (DGITOC)	Quarterly	Municipal Manager of ILembe District Municipality	Functional
5	DISASTER MANAGEMENT ADVISORY FORUM (DMAF)	Quarterly	Municipal Manager of KwaDukuza Local Municipality	Functional
6	PERFORMANCE MANAGEMENT SYSTEM FORUM (PMSF)	Quarterly	Municipal Manager of iLembe District Municipality	Functional
7	LOCAL ECONOMIC DEVELOPMENT FORUM (LEDf)	Bi-Monthly	Municipal Manager of Mandeni Local Municipality	Functional
8	DISTRICT COMMUNICATORS FORUM (DCF)	Monthly	Municipal Manager of Ndwedwe Local Municipality	Functional

9	PLANNING AND DEVELOPMENT FORUM (PDF)	Monthly	Municipal Manager of Mandeni Local Municipality	Functional
10	INFRASTRUCTURE FORUM (IF)	Bi-Monthly	Municipal Manager of KwaDukuza Local Municipality	Functional
11	CORPORATE SERVICES FORUM	Quarterly	Municipal Manager of Maphumulo Local Municipality	Functional
12	SPEAKERS' FORUM	Quarterly	District Speaker	Functional
13	INTERNAL AUDITORS FORUM	Quarterly	Municipal Manager of Maphumulo Local Municipality	Moderately Functional
14	ENTERPRISE RISK MANAGEMENT FORUM	Quarterly	Municipal Manager of iLembe District Municipality	Functional
15	DISTRICT AIDS COUNCIL	Quarterly	District Mayor	Functional

## **2.3 ENSURING GOOD GOVERNANCE**

### **2.3.1 ENTERPRISE RISK MANAGEMENT (ERM)**

#### **(A) Introduction**

Enterprise Risk Management (ERM) forms a critical part of iLembe District Municipality strategic management. It is the process whereby the iLembe District Municipality both methodically and intuitively addresses the risks attached to the strategic objectives and activities of the Municipality. The goal is to ensure the achievement of strategic objectives as well as the sustained benefit within each activity and across the portfolio of activities. ERM is therefore recognised as an integral part of sound organisational management and is being promoted internationally and in South Africa as good practice applicable to the public and private sectors.

#### **(B) Objectives of Enterprise Risk Management**

The purpose of Enterprise Risk Management at iLembe District Municipality is to, among others provide the following:

- Advance the development and implementation of modern management practices and to support innovation through the iLembe District Municipality.
- Contribute in building a risk smart workforce and environment that allows for innovation and responsible risk taking while ensuring legitimate precautions are taken to protect the public interest, maintain public trust, and ensure due diligence.
- Provide a comprehensive approach to better integrate risk management into strategic decision making.
- To provide guidance to Accounting Officer, Executives Authorities, Management and staff when overseeing or implementing the development of processes, systems and techniques for managing risk, which are appropriate to the content of the district.

#### **(C) Risk Governance**

##### **(i) Risk Management Committee**

The District Municipality has a Risk Management Committee (RMC) which is made up of senior management and the independent Chairperson. The RMC operates within a risk charter approved by the Executive Committee.



The Risk Management Committee is responsible for independent oversight and appropriate advice on the risk management process, mitigation of key risk exposure and the emerging risks that may have an impact on the District Municipality. The Committee's role is to guide the development and implementation of Risk Management programme as well as to review and monitor Enterprise Risk management (ERM) process and outputs regularly.

**(ii) Reporting and Communication**

- Five (5) RMC meetings were held in the year 2017/18;
- The Risk Management Committee Chairperson reports to EXCO bi-annually on the progress in the implementation of Risk Management in the municipality;
- Four (4) quarterly reports were submitted to Audit Committee. Top strategic risks including strategic fraud risks were reported quarterly to EXCO. Meanwhile the top strategic, operational, ICT and fraud risks were reported to appropriate Portfolio Committees;
- EXCO approved the Risk Management Implementation Plan for 2017/18. This plan was implemented and monitored on a quarterly basis; and
- 95% of the activities on Risk Management Implementation plan was achieved.

**(D) Key Performance Highlights for 2017/18**

- Council approval of the following documents:
  - Risk Management Strategy, Policy and Framework,
  - Anti-Fraud and Corruption Strategy & Policy; and
  - Loss Prevention and Management Policy.
- Risk Management awareness workshops with Councillors, Management, Risk Champions, Accountants and Officers
- Declarations of interest signed by Councillors, Senior Managers and Middle Managers and all SCM Officials;
- Compiled a risk register with 83 risks (Strategic 20 and Operational 36, ICT 6, Fraud Risks 21) through Annual Risk Assessment workshops with management;
- MSCOA risk register was reviewed;
- Appointment of the new independent Risk Management Committee Chairperson;
- Compliance monitoring and reporting in terms of the Laws and Regulation applicable to local government;
- Insurance Claims monitoring and reporting;
- Loss control reports;
- Functional District Enterprise Risk Management Forum.

- Business Continuity desk check test was done.
- 95% of the activities on Risk Management Implementation plan was achieved.
- Overall achievement of implementation of action plans for 2017/18 was 69%.
- Monitoring operational plans to enhance revenue within the district;
- Monitoring of plans to mitigate the risk of inadequate water sources;
- Reported progress on implementation of action plans to Risk Management Committee, Portfolio Committees, EXCO and Audit Committee;

#### **(E) Risk Maturity**

In terms of the National Treasury risk maturity level that consists of 6 levels, iLembe District Municipality has achieved level 4 – information which means;

Risk management is firmly embedded in the institution. Metrics to measure the value-added of risk management are in place. Aggregated risk management information is circulated to relevant officials and oversight structures as a matter of routine. Metrics are in place to measure and monitor the value of add of risk management. Risks provide intelligence with regard to decision making.

#### **(F) The Top 5 Risks Facing the Municipality in 2017/18**

Strategic Risks and Mitigating Strategies

##### **(I) Sustainability of the Municipality is compromised due to low liquidity ratio.**

- Implement and monitor the financial recovery plan
- Strategic monitoring of capital projects;
- Exploring other funding streams;
- Evaluate effectiveness of intelligent meters;
- Maintenance of customer database;
- Alignment of indigent register with local municipalities;
- Monitor Effectiveness of Expenditure Management Committee;
- Implementation of online portal for customer enquiries.

##### **(II) Technical Services: Scarce raw water sources.**

- 'Implementation of O & M plan;
- Implementation of water Resource Management Principles(IWRM);
- 'Request Umngeni to be transparent in their Business Continuity in respect of one supplier with specific design; and
- Calculation of Financial impact due to delays by Umngeni

##### **(III) Human Resources: Unemployment of Youth within the District.**

- Engage National Department to enhance Rural Development. (LED);
- Implement programmes to encourage entrepreneurship among the youth within the district;
- Implement EPW for Technical Services;
- Collaboration of all activities for all departments in addressing the Youth Unemployment and report quarterly;
- Accelerate skills training & management reform;
- Review of the SCM Policy to address accessibility of Public Procurement for Local Community.

**(iv) Strategy: Inappropriate Corporate Culture.**

- Official launch of Ethics Committee for Councillors and train/ induct members of the Committee for their roles and responsibilities;
- Launch and Implement the corporate culture programme; and
- Management to define the organisational culture.

**(v) Human Resource: Inability to monitor performance and reward exceptional performance for non-S56 employees.**

- Develop and adopt individual Performance Management System (IPMS) Policy for assessment of middle management;
- Fast track implementation of PMS policy;
- Implement Employee Recognition Program Policy;

**(G) Operational Risks And Mitigating Strategies.**

**(i) Water Services: Periodic interruptions in supplying water and sanitation services to the community.**

- Implementation of regional water schemes. (Consolidations of all small schemes into a regional schemes);
- Source Funding (grants);
- Improve security system at plants (alarms and cameras);
- Implementation of the Water Conservation and Demand Management Plan; and
- Review of Municipal By-Laws.

**(ii) Infrastructure: Water losses**

- Implementation of regional water schemes. (Consolidations of all small schemes into a regional schemes);
- Source Funding (grants);

- Improve security system at plants;
  - Implementation of the Water Conservation and Demand Management Plan;
  - Install telemetry system throughout; and
  - Conduct Awareness Campaigns to community to report leaks, pipe burst etc.
- (iii) Business Support: Inadequacy in providing assurance on effectiveness of Internal Control.**
- Develop Training Plan in alignment with the changes in the Audit Environment;
  - Obtain suitable system software;
  - Filling of vacant posts;
  - Implementation of action plan quality assurance; and
  - Implement appropriate risk management activities.
- (iv) Financial Management: Inadequate controls over billing administration.**
- Ensuring an effective reading plan every month;
  - Re-align zoning and the reading plan.
- (v) Infrastructure: Outbreak of water borne diseases to the community.**
- Continuous training and development of personnel. Currently doing NQF 2/3/4 Process Controller Trainings;
  - Develop water treatments works Standard Operating Procedures; and
  - Increase Blue Drop budget to comply with SANS 241-1:2015. (Water safety plans to be updated for 2017/18, Asset register and Additional sampling points, trainings of process controllers).

#### **(H) Fraud Risks and Mitigating Strategies**

##### **(i) Theft of goods from stores.**

- Review the current dispatching procedure;
- Training of users on Munsoft stores module;
- Implement an electronic monitoring project management module which will capture the job completion and the material used and thereafter perform a reconciliation of the goods dispatched by stores;
- Roll out of an automated system to all satellite stores;
- Implement consequence management system;
- Implement zero tolerance policy to fraud and corruption;
- Roll out Corporate Culture programme and fraud awareness; and
- Conduct skills audit and implement capacitation programme for stores.

**(ii) Employees claiming overtime that has not been worked or inflating overtime hours worked.**

- Training managers and supervisors on assertiveness;
- Continuous monitoring of monthly list is submitted to MANCO of the overtime claimed, which was in non-compliance of the overtime policy in order to be monitored;
- Regular report in respect of overtime worked in contravention of overtime policy;
- Implement zero tolerance in respect of breaches to overtime policy; and
- Implementation of consequence management system.

**(iii) Theft of Municipal assets by both the municipal officials and external persons.**

- Implementation of Biometric system;
- Implementation of the armed response system on some sites;
- Continuous monitoring of the monthly asset reconciliations;
- Continuous monitoring of the Asset Policy and the Fixed Asset register;
- Continuous verification of assets;
- Evaluate the recommendations of the Security Risk Consultant and develop appropriate security action plan;
- Consequence management in respect of non-compliance; and
- Implement zero tolerance policy to fraud and corruption.

**(iv) Fleet vehicles used for personal use by municipal employees.**

- Continuous monitoring the use of log books for trips taken;
- To perform monthly reconciliations of trips taken to mileage usage;
- Annual review of Fleet Management Policy;
- Implement zero tolerance in respect of breaches to Fleet Management Policy;
- Implement consequence management system; and
- Regular report in respect of contravention of Fleet Management Policy.

**(v) Understatement of the water readings by the meter readers.**

- Assessment on prepaid water meters projects and intelligent meters considering the Project risk assessment;
- Monitoring of the SOP's;
- 100 % readings of water meters monthly;
- Review and implement reading plan to ensure that accurate readings take place at all times;
- Continuous monitoring and supervision of meter readers;
- Close monitoring of meter readings at sites;



- Performing meter audits in arrears that are not yet done, e.g. Maphumulo and Ndwedwe;
- Conducting of recommendations of meter audits where audit have been performed;
- Consequence management in respect of non-compliance;
- Implement zero tolerance policy to fraud and corruption.

#### **(I) ICT Risks and Mitigating Strategies**

- (i) IT: Ineffective implementation of Biometric System.
- (ii) IT: Failure to manage an effective and efficient co-ordination of IT continuity in the event of disruption.
  - ✓ Off-site storage (Data is saved wirelessly).
  - ✓ Daily backup reports.
  - ✓ Back up policy (ICT Policy).
  - ✓ Daily backups.
  - ✓ Server Management
  - ✓ Business Continuity plan
- (iii) IT: Inadequate protection of information Technology equipment.
  - CCTV camera.
  - Patch Management (Forms part of ICT policy).
  - Anti-Virus.
  - Asset Management Policy.
  - ICT Security and Usage Policy.
  - Firewall.
  - Biometric system.
  - Active Directory Controls.
  - Raised floors.
  - Insulated cabling.
  - Monitoring & Review of Access control.
  - Bankers Automated Clearing System (BACS).
  - Fire Suppression system.
  - Generator & UPS.
  - Rack Mounted Servers.
  - Server room is equipped with a fire suppression system.
  - Server Room Manual Register.

#### **(J) Key Areas of focus for 2018/19:**

Below is the highlight of some of the key focus areas for 2018/19:

- Monitoring operational plans to enhance revenue within the district;
- Monitor implementation of the Corporate Culture programme;
- Report progress on implementation of action plans to Risk Management Committee, Portfolio Committees, EXCO and Audit Committee;
- Development of Combined assurance framework.

#### **(K) Challenges and Mitigations to improve.**

- Inadequate Risk awareness

While awareness campaigns takes place in the form of workshops risk management is still perceived as bureaucratic exercise hence unable to yield visible results at operations.

##### **(i) Mitigation:**

Embedding risk management in the existing business processes to make risk management self-sustaining overtime.

- Instilling Accountability and Encouraging Action.

##### **(ii) Mitigation:**

Mapping the risk to Portfolio Committees and encouraging portfolio hearings against the treatment plans.

Allocating resources to the highest priority risks.

- Complex risk management approach to treatment, monitoring and reporting.

##### **(iii) Mitigation:**

External risks: Contingency planning and Business Continuity Plan.

Strategic: focus on key risk indicators and trends.

Operational: focus on internal controls and establishing procedures and alignment to internal audit through combined assurance.

#### **(L) Outstanding Matters**

- Formal establishment of Ethics Committee for Councillors and launch.
- Launch and rollout for the Corporate Culture.

## **(M)ANTI- FRAUD & CORRUPTION**

iLembe District Municipality has in place an Anti-Fraud and Corruption Strategy and Policy that was reviewed and approved by Council.

The risk of fraud and corruption is one of the Municipality's top strategic risk areas.

As part of Fraud and corruption prevention the following was done;

- Declarations of interest signed by Councillors, Senior Managers, Managers and SCM employees.
- Fraud awareness campaigns for all staff members including Councillors was done.
- Conducting Fraud Risk assessments.
- Review of the Fraud risk register was done and monitoring on a monthly basis.
- Fraud and Corruption awareness workshops being conducted for Councillors, Senior Managers and middle Managers.
- Appointed the new service provider to provide hotline services for the district.
- Reviewed the Policy for the acceptance/giving of gifts, donations and sponsorship, and approved by Council.
- Designing and development of fraud risk management plan.

Risk Management Committee functions as an oversight body; this includes the review of the effectiveness of prevention initiatives, detection techniques as well as progress made in any forensic investigation.

The Municipality acts swiftly to investigate allegations of fraud & corruption whenever these allegations are reported to Management, Executive, Council & Audit Committee.

### **2.3.2 SUPPLY CHAIN MANAGEMENT**

The Municipality has a Supply Chain Management Unit that is fully functional and established within the Finance Department. All SCM activities are performed in line with Chapter 11 of the MFMA (No. 56 of 2003), PPPFA (No. 5 of 2000) and the 2017 Preferential Procurement Regulations and the SCM Policy. The Unit has four elements, namely, demand, acquisition, logistics and disposal management.

All supply chain management activities are undertaken in a manner that is fair, transparent, efficient, competitive and cost effective in line with the approved Supply Chain Management Policy, Preferential Procurement Policy Framework Act (No.5 of 2000) and the 2017 Regulations and The Municipal Finance Management Act, (Act 56 of 2003).

A total of five hundred and eighty (580) requisitions were processed by the SCM Unit in ensuring that User Departments meet their service delivery targets. The total value of these transactions is R 19,986,400.01

**(a) Quotations**

All transactions up to R 30,000 are processed in terms of the invitation of quotations rotationally/randomly from service providers/suppliers registered on the National Treasury's Central Suppliers Database. When inviting quotations, entities are selected based on their areas of specialization.

In terms of Section 18 (b) of the SCM Policy, all requirements in excess of R30 000 (VAT included) that are to be procured by means of Formal Written Price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the Municipality;

**2.3.2.1 COMPETITIVE BIDDING PROCESSES**

Section 19(1) of the SCM Policy stipulates that; Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11(2) of this Policy. In terms of the SCM Policy, all transactions or procurement activities above R 200,000 and contracts of a long-term nature must be handled in terms of the competitive bidding process and through the bid committee system, i.e., bid specifications committee (to draft and approve bid specifications), bid evaluation committee (to assess and evaluate bids received and establish the capacity of the bidders to undertake contracts) and bid adjudication committee (considers the report from the bid evaluation committee and make decision to award based on the sub-delegated powers)

A total of 17 competitive bids were awarded. The total value of competitive bids awarded is R 477,655,714.14

Establishment of the panel of service providers for the Corporate Services Department.

TS/175/2017	Construction of Mandeni Pump Station and 315 OD X 1.3 KM oPVC Gravity Main from Mandeni WTW to Tugela Pump Station
TS/176/2017	Construction of 500OD x 3.8km long oPVC Rising Main from Mandeni WTW to Rocky Ridge

TS/177/2017	Construction of 1 No. Borehole, 4.5 KM Steel/ oPVC Rising Main, 500 KI Reinforce Concrete Reservoir, Booster Pumpstation, 0.4 KM HDPE Rising Main, 75 K1 Elevated Steel Tank, 47.5 KM Small Bore PVC /HDPE Gravity Pipelines, 11 No.1 K1 Break Pressure Tanks and 430 Metered Yard Taps ( Nondabula Water Supply Scheme)
TS/178/2017	Ndulinde Water Supply Phase 2C & 4C - Relaying of 9.4km x 200mm dia ductile iron and commissioning of pumpstation and reservoir and installation of 3.4km of reticulation network and 620 yard connections
TS/179/2017	Groutville D: Chris Hani, Lloyds, Ntshaweni, Etsheni & Njekane Sanitation Phase 2
TS/180/2017	Groutville D: Chris Hani, Lloyds, Ntshaweni, Etsheni & Njekane Sanitation Phase 2
TS/184/2017	NDWEDWE NORTH SYSTEM REFURBISHMENT WATER SCHEME : TS/184/2017
TS/185/2017	LOWER THUKELA WATER SUPPLY SCHEME PIPELINE NEW 350MM DIAMETER CLASS 16 UPVC 4KM LONG
TS/182/2017	SOUTHERN REGIONAL BULK WATER AND SANITATION SCHEME PHASE 1B
TS/186/2017	CONSTRUCTION OF 1,2KM * 350MM DIAMETER UPVC PIPELINE OFFTAKE 9
TS/188/2017	LOWER THUKELA WATER SUPPLY SCHEME OFFTAKE 4 AND 5
TS/189/2017	CONSTRUCTION OF 3ML REINFORCED CONCRETE IKAMU RESERVOIR AND ASSOCIATED WORKS OF GRAVITY MAIN
TS/181/2017	SOUTHERN REGIONAL BULK WATER AND SANITATION SCHEME PHASE 1A
TS/187/2017	CONSTRUCTION OF 3KM X 450MM DIAMETER OPVC PIPELINE, 5ML RESERVOIR IN BLYTHEDALE WEST AND UPVC PIPELINE IN NEW GUELDERLAND
FD/05/2018	PROVISION OF BANKING SERVICES FOR A 3 YEAR PERIOD
CS/14/2017	ESTABLISHMENT OF THE PANEL OF SERVICE PROVIDERS FOR THE CORPORATE SERVICES DEPARTMENT
AM/02/2017	INFRASTRUCTURE ASSET MANAGEMENT SERVICES(ENGINEERING)



### 2.3.2.2 IMPLEMENTATION OF THE 2017 PREFERENTIAL PROCUREMENT REGULATIONS

The 2017 Preferential Procurement Regulations pertaining to the Preferential Procurement Policy Framework Act Regulations (PPPFA), No.5 of 2000 were incorporated in the SCM Policy. The Regulations are used to advance designated groups through the procurement activities, by applying the following preconditions:-

- (a) Prequalifying tenderers in terms of B-BBEE Status level
- (b) Prequalifying in terms of being an EME or QSE; and
- (c) Sub-contracting within the categories of designated groups (e.g. 51% Women Owned).

The following statistics reflects procurement patterns according to the demographics:-

- (i) A total of R11,650,971.11 (60.52%) was spent on local entities,
- (ii) A total of R15,572,051.58 (81%) was spent on black owned entities,
- (iii) A total of R 11,210,907.36 (58.23%) was spent on local black owned entities,
- (iv) A total of R3,302,134.71 (17.15%) was spent on local entities owned by black youth,
- (v) A total of R 3,077,063.91 (15.98%) was spent on local entities owned by black women,

All quotation requests are advertised with a condition that gives first preference in terms of Section 2(f) of the PPPFA (Act No.5 of 2000) to locally based entities from different groups from the District that were previously disadvantaged.

The Municipality has had engagements with the Provincial Treasury on issues of the current legislation that hinders the implementation of economic transformation initiatives through government procurement. This includes the following:-

- The review and retraction of clauses in the CIDB Regulations (Construction Industry Development Board) that limits the value of work that can be subcontracted to the emerging contractors.
- CIDB implements set-asides that promote well established companies and they have the overall market dominance over the small players in the market.
- The 2017 Preferential Procurement Regulations are not fully enabling the implementation or radical economic transformation objectives. The only set-asides allowed by these Regulations are only through subcontracting. However the Municipality has devised a mechanism to overcome this gap in the legislation through implementing Section 2(f) of the Preferential Procurement Policy Framework Act which allows for the implementation of the objective criteria.
- Provincial Treasury has been asked to pursue this matter to ensure alignment with the

resolutions of the KZN Procurement Indaba.

### **2.3.2.3 IMPLEMENTATION OF THE SUBCONTRACTING ARRANGEMENTS IN CAPITAL PROJECTS**

The Municipality rolled out the implementation of the subcontracting arrangement (CPGs) in the capital projects that were recently awarded. A total of 43 local emerging contractors were engaged and would benefit from this arrangement. This resulted in some form of resistance/rejection by certain communities and business forums who argue that they have competent contractors within their wards which should be given first preference for sub-contracting work and they don't want anyone from outside their wards.

Progress has been made in addressing these conflicts including those emanating from the main contractors who have shown resistance to this initiative. Measures will be put in place to protect the interests of the local emerging contractors and to ensure that they are not exploited during this exercise. The Enterprise iLembe has come on board by presenting the incubation programme for these emerging contractors. All SMMEs are required to register on the database in order for them to be eligible for subcontracting.

## **2.4 PUBLIC ACCOUNTABILITY AND PARTICIPATION**

Public participation is an integral part of local democracy and participatory local governance and that the involvement of communities and community organisations in the matters of local government is one of the objects of local government.

### **2.4.1 COMMUNICATION, PUBLIC PARTICIPATION AND RELATED FORUMS**

The following are the public participation and communication structures and mechanism that exists within the iLembe District Municipality:

#### **(A) SPEAKERS' FORUM**

The Forum consists of:

- the Speaker of iLembe District Municipality;
- the Speakers of all Local Municipalities

The chairperson of the Forum is the iLembe District Municipality Speaker. In his absence the meeting elects a pro-term Chairperson of the same position. Official responsible for public participation also attend the Speakers Forum.

**(I) Objectives of the forum**

The main objective of the Forum is to promote and facilitate intergovernmental relations, cooperative government and share cultures of initiatives between the iLembe District Municipality and the Local Municipalities, including:-

- To seek unity of purpose and co-ordination of effort around the programmes championed in the office of the Speaker in the broader District;
- To serve as a main structure of the District Wide Ward Committee Forum; and
- To ensure effective and efficient coordinated Community / Public Participation within the District.

The Forum meets quarterly and additional or special meetings are called when and as the need may arise by the Chairperson or as per request by any member of the Forum through the Chairperson. The Speaker's forum is functioning and various sector departments and stakeholders are invited at these meeting to provide detailed information on programme that will impact public participation in the district.

**(B) DISTRICT COMMUNICATORS' FORUM (DCF)**

Government communication is a strategic and planned process that is aimed at ensuring effective dialogue between government and the communities. The constitution of the Republic of South Africa, 1996, contains a number of sections which set the tone for local government communications. These include, Sections 152(1) e; Section 160(7); Section 126(3); Municipal Systems Act, 2000; Promotion of Access to Information, 2000 and the Intergovernmental Relations Framework Act, 2005.

Communications has a role of creating messages that harmonise the political and the administrative arms of government. Communication is a strategic function that ensures the public receives information about municipal policies, programmes and services.

The District Communicator's Forum provides a platform for communicators within the district municipality to plan and identify communication opportunities across the sphere of government through substantive discussions and joint planning to fulfil the government's commitment to accelerate service delivery to ensure a better life for all.

## **(I) Composition And Membership**

The membership of DCF is open to all government communicators operating within the district. This includes:

- District Communications Manager – Chairperson of the Forum
- Communicators from the local municipalities
- Communicators or representatives of the sector departments with the ILembe District Municipalities
- COGTA
- GCIS
- Office of the KZN Premier

## **(II) STRATEGIC OBJECTIVES OF THE DCF**

The objectives of the DCF are as follows:

- To foster a more positive communication environment among a family of municipalities, sector departments and relevant stakeholders within the district municipality;
- To foster integrated communication;
- To ensure a coherent and effective interaction between the District Municipality and its targeted audience;
- To ensure that citizens of the district participate in the decision making processes;
- To ensure and promote the development of coordinated, integrated and sustainable programme of communications in the district;
- To ensure maximum administrative and operational effectiveness and efficiency of all communication programmes in the district; and
- To support the political leadership across the family of municipalities in its pursuit to deliver basic services and development.

In relation to the communications and imparting the municipal information to the public, the Communication Sub-directorate in the iLembe District Municipality manages the flow of communication from/ to the organization, media and broader communities. It is also responsible for attending to the information needs with respect to the Web site of the Municipality, checking and approving the insertion of news items, articles and photographs. Legislated information in terms of Section 75 of the MFMA is also placed



in the municipal website and updated as stipulated in the MFMA. This includes the following information:-

- that have been disposed of in terms of section 14(2) or (4) during the previous quarter;
- performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act;
- all supply chain management contracts above a prescribed value;
- public-private partnership agreements referred to in section 120 of the MFMA;
- The annual and adjustments budgets and all budget-related documents and all budget-related policies;
- all service delivery agreements;
- all long-term borrowing contracts;
- an information statement containing a list of assets over a prescribed value
- contracts to which subsection (1) of section 33 apply, subject to subsection (3) of that section;
- the annual report;
- All quarterly reports tabled in the council in terms of section 52(d), and other documents that must be placed on the website in terms of this Act or any other applicable legislation, or as may be prescribed.

#### **(C) OTHER STRUCTURES THAT ARE UTILISED TO ENHANCE / IMPROVE COMMUNICATION AND PUBLIC PARTICIPATION**

##### **(i) COMMUNITY DEVELOPMENT WORKERS (CDWs)**

The iLembe District Municipality has total of 77 wards and with only 43 CDWs to service these wards. This is a challenge because a large number of wards are not benefiting from the services that are provided by the CDWs especially when it comes to household profiling and identification of urgent service delivery cases under the auspices of Operation Sukuma Sakhe as well as cascading of information to the people. Another challenge is that the CDWs are not available to provide support to the municipalities because of other commitments that they have from COGTA.

##### **(ii) TRADITIONAL LEADERSHIP**

The iLembe District Municipality has a total of 33 Amakhosi with 3 vacancies. The new District Traditional House was reinstituted in August 2017, and is currently led by Inkosi NA Bhengu who is also the member of the provincial house of traditional leadership in KwaZulu Natal. There is a healthy working relationship between the Local Traditional

House and the iLembe District Municipality. Amakhosi are invited in community activities that are happening in their areas and district activities that will have impact in service delivery in their areas. These activities include IDP Public Participation meetings, conferences and seminars, to mention a few. Presentations on matters of Council are also periodically made at the seating of the iLembe District Traditional Council and tribal Councils on request. In November 2017, a meeting between amakhosi and councillors was held with an aim to strengthen relations and this proved to be very fruitful because communication has been enhanced.

The implementation of Section 81 of the Municipal Structures Act is fully implemented and Amakhosi serving in the various Councils are fully integrated in terms of portfolio committee allocation. However, there are challenges in term of attendance by amakhosi to these meetings. Ongoing engagements are held in order to address issues that affect their attendance.

### **(III) WARD COMMITTEES**

All the wards within the iLembe District Municipalities have elected wards committees. They have all been inducted and have been provided with training to capacitate them to be able to facilitate service delivery issues in their areas. The ward committees in the district are largely functional with the support they receive from local municipalities and the district municipality. However, there are challenges that are being experienced by the local municipalities as they engage with the ward committee:

- Some ward committee members drop out because they receive better jobs elsewhere which leave a vacuum in the committees. The process of replacing them sometimes delay;
- Some members are demotivated because they feel that the remuneration that they receive from the municipalities is too little as compared to the amount of work that they are engaged with. The iLembe District Municipality provides travel costs if they are invited to districts meetings.

The iLembe District Municipality is not responsible for the ward committees but gets to access the ward committees through the local municipalities. The ward committee form part of the IDP Representative Forum and they are engaged during the planning and facilitation meetings.

#### **(iv) MUNICIPAL RAPID RESPONSE TEAM (MRRT)**

In the recent past KZN has seen a sharp increase of service delivery protests. The communities continue to believe that their needs will be better addressed only when they take it to the streets. Addressing the triple challenges of poverty, unemployment and inequality can assist in alleviating the spate of service delivery protests. The KZN's government approach, in dealing with service delivery protests, is more proactive rather than reactive. It includes three pillars detailed as follows:

- A well informed community is less likely to protest. This includes countering deliberate misinformation of communities
- Early alert systems.
- Stakeholder engagement.

In this regard, all municipalities were requested by the KZN provincial government to establish Municipal Rapid Response Team not exceeding seven members, of which the Speaker shall be the convener.

The responsibilities for the MRRT are as follows:

- to deal with service delivery dissatisfaction.
- to collect the Memorandum of complainants.
- to consult with the complainants to establish the facts in the contents of the Memorandum.

In May 2018 and in line with this request, the iLembe District Municipality established the MRRT (MRRT), and it is formed by the following members:

- Speaker (Convener and Chairperson of IDM MRRT)
- Chairperson: Infrastructure and Technical Portfolio Committee
- Chairperson: Finance Portfolio Committee
- Chief whip
- Municipal Manager
- Senior Manager: Technical Services
- Senior Manager: Community Services
- Chief Financial Officer
- Manager: Disaster Risk Management
- Manager: Communications
- SAPS representative

The IDM MRRT meets monthly to address protests within the iLembe District Municipality.

**(v) IDP PUBLIC MEETINGS**

The IDP Representative Forum meetings are convened where public representatives and sector departments are invited, this platform is crucial to ensure stakeholder participation and alignment in the IDP process takes place. In addition, broader public engagements were held with the communities of the respective local municipalities to engage them on their needs and the approval of the budget. The Public Participation and Draft IDP and Budget meetings were had in October/November 2017 and April/May 2018 are as follows:

Nature and purpose of the meeting	Date of event	Number of participating Municipal Councillors	Number of Participating Administrators	Number of Community Members attending	Issue addressed (Yes/No)
IDP Budget and PMS	08 October 2017	18	15	341	Yes
IDP Budget and PMS	08 October 2017	20	13	320	Yes
IDP Budget and PMS	12 October 2017	22	15	372	Yes
IDP Budget and PMS	15 October 2017	18	12	430	Yes
IDP Budget and PMS	22 October 2017	17	11	320	Yes
IDP Budget and PMS	05 September 2017	15	13	322	Yes
IDP Budget and PMS	06 September 2017	13	18	420	Yes
IDP Budget and PMS	13 September 2017	12	17	331	Yes



IDP Budget and PMS	04 October 2017	15	18	306	Yes
IDP Budget and PMS	06 October 2017	14	19	372	Yes
IDP Budget and PMS	05 April 2018	18	15	166	Yes
IDP Budget and PMS	11 April 2018	19	10	720	Yes
IDP Budget and PMS	15 April 2018	12	7	906	Yes
IDP Budget and PMS	18 April 2018	19	9	640	Yes
IDP Budget and PMS	21 April 2018	17	12	843	Yes
IDP Budget and PMS	22 April 2018	19	14	902	Yes
IDP Budget and PMS	24 April 2018 ( Maphumulo)	15	11	427	Yes
IDP Budget and PMS	24 April 2018( KDM)	9	21	41	Yes
IDP Budget and PMS	24 April 2018 ( Ndwedwe)	7	16	724	Yes
IDP Budget and PMS	25 April 2018 ( Vulingondo)	11	13	429	Yes
IDP Budget and PMS	25 April 2018( Shayamoya)	12	18	433	Yes
IDP Budget and PMS	26 April 2018( Chris Hani Hall - KDM)	12	16	521	Yes
IDP Budget and PMS	27 April 2018	12	17	630	Yes
IDP Budget and PMS	02 May 2018	13	16	480	Yes

IDP Budget and PMS	03 May 2018 (KDM's Amakhosi)	5	3	8	Yes
IDP Budget and PMS	03 May 2018 (iLembe Chamber of Commerce)	6	10	21	Yes
IDP Budget and PMS	04 May 2018	9	16	420	Yes
IDP Budget and PMS	08 May 2018	12	18	437	Yes

**(D) IDP PARTICIPATION AND ALIGNMENT**

IDP PARTICIPATION AND ALIGNMENT CRITERIA*	YES/NO
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

**2.5 YOUTH EMPOWERMENT AND DEVELOPMENT PROGRAMMES  
SPORTS AND RECREATION, AND ARTS AND CULTURE**

<b>MONTH</b>	<b>ACTIVITY</b>	<b>PROGRESS</b>	<b>CHALLENGES</b>	<b>BUDGET</b>
<b>August 2017</b>	Provincial Indigenous Games that was held at UThukela District Municipality on the 11 <sup>th</sup> to 13 <sup>th</sup> of August 2017.	The iLembe team for about 140 players represented our district at Ladysmith. The athletes were coming from all four municipalities.	There were no challenges reported.	Sport Development vote was used for Transport, Accommodation and Petty Cash.  The total cost was R125 552.
	Siyaya Emhlangeni	More than 1000 maidens attended the event from across the district. The event was attended by Queen MaKhumalo and some of the guests from the royal house and our councillors.	There were no challenges reported.	Heritage Celebration vote were used for VIP's catering, gift for uNdlunkulu and water bottles.  The total amount used was R18 800.
<b>September 2017</b>	UMkhosi Womhlanga	The Reed dance is a colourful and cultural celebration that promotes respect for young women, and preserves the custom of keeping	No challenges reported	Youth Vote was used to procure accommodation for councillors, Officials and 4 buses

		girls as virgins until marriage		
<b>NOVEMBER 2017</b>	SALGA Games Training Sessions	After inter-municipality games annual tournament players are selected to be part of ILembe SALGA Games training Sessions.	No challenges reported	ILembe SALGA Vote was used for training sessions with total amount including SALGA Games in December 2017 R1 362 711,64
<b>DECEMBER 2017</b>	SALGA KZN-DSR Games 2016	SALGA KZN-DSR Games is an annual tournament to be hosted by any District Municipality recommended by SALGA Provincial Executive Committee.	No challenges reported	ILembe SALGA Vote was used for logistics items R1 362 711,64
	Jacob Zuma Soccer Tournament	Jacob Zuma Soccer Contest, also known as the Msholozzi Soccer Tournament, was held at Eshowe High School in KwaZulu Natal and featured teams from	No challenges reported	An amount of R44 825.00 was used for Jacob Zuma Soccer Tournament.



		<p>across the province.</p> <p>Zuma founded the event in line with his vision of using sport to achieve peace, social cohesion and youth development, especially in South Africa's rural areas.</p>		
<b>MARCH 2018</b>	Golf Team	The Golf team was assisted with transport to attend the Golf competition at Dundee where they represented iLembe District.	No challenges	The Municipal bus was used to transport the team.
	Cricket Team	About 16 members of cricket team as part of SALGA Games preparation attended the fixture at Umlazi Com Tech, They represented iLembe.	There were no challenges.	The Municipal bus was used to transport the team.
<b>APRIL 2018</b>	Dance Team	18 young people represented iLembe team to Dance competition at UKZN world completion. Four provinces	no challenges	The municipal bus was used to transport the team.

		attended the dance competition		
	Library Week	Over 800 learners attended the library week, most from rural primary schools	There were no challenges.	The municipal van allocated to our dept. was used.
	ILembe Career Exhibition.	More the 400 learners per local municipality attended the career exhibitions	There were no challenges.	The municipal van allocated to our dept. was used.
<b>MAY 2018</b>	Isinamuva Arts Development Academy	There are 18 members that were assisted with the municipal bus transporting them to Durban, for their performance at Gauteng.	Initial the group requested bus/train ticket to Gauteng but because of financial challenges we did not make it.	The budget limited the assistance to be made, we only afforded to take them to Durban.
	Dance Team	There are 22 members of the Dance team that were assisted with transport	There were no challenges.	The municipal bus was used to transport the team.
	ILembe Youth (African Renaissance Conference)	7 youth members were assisted with transport from Ndwedwe to Durban ICC. Attending the African renaissance summit	The departure of a bus was late from Kwadukuza as a result delegate arrived late when the summit was over.	Municipal Avanza was used to transport deligate.
	Indoni Auditions	Characters were Auditioned	Some applicants did not have R50	An amount of R23 250 was

		<p>successfully on different cultural codes e.g. Clan names, Zulu dance, singing and clan praises. 10 winners then were selected on the day to be part of Indoni Winter school to hold on June 2018. The 10 contested will again contest at Provincial Indoni representing ILembe district municipality against other districts.</p>	<p>joining fee as a result they did not participate.</p>	<p>used for catering of 50 VIPs and 300 participants.</p>
	<p>Child Protection Month</p>	<p>About 28 schools were visited with the total number of 13 708 learners serviced and benefited with promotional material, bursary information, and motivational speeches, tips to be safe and important information from departments.</p> <p>The aim of the programme is to</p>	<p>There were no challenges reported.</p>	<p>Catering for stake holders.</p>

		ensure the safety, well-being, care and protection of children through an integrated multi-disciplinary approach		
<b>JUNE 2018</b>	Jacob G. Zuma soccer tournament R20 000 hand over to Guzana Secondary School and Sithebe primary.	The amount R1000 and soccer balls was handed over by the District Mayor at Sithebe Primary and Guzana high school. This tournament is being played every year , founded former President G Zuma and co-sponsored and hosted by the Kay Motsepe Foundation with an aim of promoting sport and achieve peace, social cohesion and youth development, especially in the rural areas.	No challenges were reported.	Municipal bus was used to transport iLembe soccer team.
	Mazibuye choral music	Mazibuye-Roots of Africa is a CAST that is	No challenges were reported.	Municipal bus was used to

		<p>comprised of the youths.</p> <p>The Mazibuye-Roots of Africa (Afro Choral Musical Theatre Project) was assisted with transport for a trip to Mtubatuba for Music in Business Workshop organized by the youth from Mtubatuba-Ophaphasi Area.</p>		transport the choir.
	Golden games team	<p>Assisted the team with transport, as per family request. To transport players to be part of the funeral of one the Golden game players at Ndwedwe</p>	No challenges were reported	Municipal bus was used
	Indoni Provincial Competition.	<p>More than 10 learners were transported to Cedara, to represent iLembe District Municipality in Indoni Cultural Schools 2018 that took place on 24<sup>nd</sup> of June 2018 – 08<sup>th</sup> of July 2018 at Pietermaritzburg.</p>	No challenges were reported	Hired bus, Municipal bus and Municipal Toyota Avanza was used.



## **2.6 DISASTER RISK REDUCTION AND MANAGEMENT**

### **2.6.1 STATUS OF THE DISTRICT DISASTER MANAGEMENT CENTRE**

iLembe District has a functional District Disaster Management Centre (DDMC) which is established in terms of Disaster Management Act No. 57 of 2002. The various institutional measures have been established to ensure compliance with disaster management legislation and policies with the Head of the Centre appointed. The District Disaster Management Centre has been constituted with the objective to promote an integrated and coordinated system of Disaster Management, with a special emphasis on prevention and mitigation. The establishment of the District Disaster Management Centre also aims to respond rapidly and effectively to all disasters including implementation of post-disaster recovery and rehabilitation within the District and its family of municipalities. The District Disaster Management Centre building for iLembe was completed in 2015 and is situated at No 12 Haysom Road, KwaDukuza.

### **2.6.2 STATUS OF INTERGOVERNMENTAL RELATIONS STRUCTURES**

#### **(a) MUNICIPAL DISASTER MANAGEMENT INTER-DEPARTMENTAL COMMITTEE AND POLITICAL COMMITTEES**

The District has the responsibility of establishing effective institutional arrangements for the development and approval of integrated disaster risk management matters. To achieve this, the District has established an Economic Development and Planning, Health and Safety Portfolio Committee, which is an internal portfolio committee that deals with matters relating to Disasters and Disaster Risk Management in the District. The committee is chaired by the District Deputy Mayor and is fully functional. It meets regularly on a monthly basis or as and when it is necessary. The District has also established the Management Committee (MANCO), this is a senior management committees which meets every two weeks where issues pertaining to disaster management are being discussed on an ongoing basis.

#### **(b) DISTRICT DISASTER RISK MANAGEMENT PRACTITIONERS FORUM**

iLembe District Disaster Risk Management Practitioners forum has been established and comprises of all four (04) Local Municipalities. The main objective of having practitioners meetings (that are held on monthly basis) is to share some of the common challenges, whilst learning from each other's best disaster management practices.

During the period under review (1 July 2017 – 30 June 2018), the District conducted a total number of eleven (11) Disaster Management Practitioners meetings.

**(c) MUNICIPAL DISASTER MANAGEMENT ADVISORY FORUM (DMAF)**

The District Disaster Management Advisory Forum (DDMAF) is a fundamental disaster management IGR structure that gives platform for interaction between all relevant role-players and stakeholders responsible for disaster risk management. The DDMAF is functional, with a reasonable attendance by relevant stakeholders; however there is still an absence of a large number of stakeholders who could contribute significantly. The District Disaster Management Advisory Forum is a body in which all role players consult one another and coordinate their actions on matters relating to disaster management within iLembe District and meets on quarterly basis or as and when necessary. A total of four (4) District Disaster Management Meetings were held during 2017/18 financial year.

**2.6.3 STATUS OF DISASTER MANAGEMENT CAPACITY AT ILEMBE DISTRICT**

iLembe District has established a fully functional District Disaster Management Centre (DDMC), with the Head of the Centre appointed, including disaster management personnel to support the Centre. Currently, at a district level there is one (1) Senior Disaster Risk Reduction Officer and two (2) Disaster Management Officers. All vacant positions have been prioritized accordingly, with plans underway to fill the position of the Senior Disaster Management Officer: Operational in the current financial year. As and when necessary, other vacant positions of two (2) Disaster Management positions will be prioritized and filled accordingly. To ensure effective implementation of the Disaster Management Act, the District has also allocated physical and financial resources to make sure that there is an effective smooth running of the Disaster Management Centre.

**2.6.4 STATUS OF ILEMBE DISTRICT PLANS**

**(a) DISTRICT DISASTER MANAGEMENT FRAMEWORK**

In compliance with the Section 42 of the Disaster Management Act, which compels each district municipality to establish and implement a disaster management Framework that is aimed at ensuring an integrated and uniform approach to disaster management, iLembe District Disaster Management Policy Framework was developed in 2008, and was consistent to both Provincial and National Disaster Management

Frameworks. The District Disaster Management Policy Framework is based on the nationally accepted four key performance areas (KPA) each of which is underpinned by three “enablers” that facilitate a consistent approach to the function. The District completed a process of reviewing its Disaster Risk Management Policy Framework during the 2016/17 financial year.

#### **(b) DISTRICT DISASTER MANAGEMENT PLAN**

The Disaster Management Plan is crucial for the District since the Municipal Systems Act No. 32 of 2000 requires all municipalities to undertake an integrated development planning process to produce currently relevant Integrated Development Plans (IDPs). The applicable Disaster Management Plan is a core component of the IDP as stipulated by Section 26 (g) of the Municipal Systems Act No. 32 of 2000. Furthermore, Section 53 (2) (a) of Disaster Management Act stipulates that a disaster management plan for a municipal area must form an integral part of the municipal IDP. To achieve this, iLembe District developed its Disaster Management Plan in 2009 which was approved by the Council. The District also reviewed its Disaster Management Plan over a period of three years (2014-2017), and this culminated in the adoption of the reviewed disaster management plan in June 2017.

The process of reviewing the plan was comprehensive as it covered all three levels of the disaster management plan. To date, all four Local Municipalities have since developed their Disaster Management Plans that have been adopted by their respective Councils. The District will also be assisting all four local municipalities to review their disaster management plans in house, with the process already initiated at Ndwedwe Local Municipality.

#### **2.6.5 STATE OF READINESS TO DEAL WITH DISASTERS**

iLembe District is prone to a number of natural and menmade hazards such as heavy rain, lightning, strong winds, fires and hail resulting in devastating effects to both human life and property. The District Disaster Management Centre (DDMC) remains to act as a source and conduit for information on disasters and impending disasters within the District as required by Enabler 1 of the national disaster management framework. To properly understand the spatial and geographical orientation of hazards, all disaster management practitioners continue to capture, monitor and analyze minor and major incidents on an ongoing basis. As and when incidents are reported, the District Disaster Management Practitioners are able to assist local

municipalities to ensure that there is prompt response, with damage assessments undertaken to determine the extent of damages and assistance required by the affected municipalities.

The District Disaster Management Centre is one of the beneficiaries of the early warning system, with weather warnings received from the South African Weather Service (SAWS). All disaster management practitioners have a responsibility to disseminate early warnings to vulnerable communities, with some of the key recipients including Ward Councillors, Amakhosi, Izinduna etc. As required by the Disaster Management Act No 57 of 2002, the District prepares summer and Winter Season Contingency Plans before the beginning of each season. The District Disaster Management Centre also ensures that all four local municipalities (Mandeni, KwaDukuza, Maphumulo and Ndwedwe) also prepare their Contingency Plans that are unique to their respective municipalities.

#### 2.6.6 FINANCIAL CAPABILITIES TO DEAL WITH DISASTERS

During 2017/18 financial year, the District Disaster Management Centre budgeted for the following Disaster Risk Reduction programmes:

ITEM	ORIGINAL BUDGET (2017/18)	ADJUSTED BUDGET (JANUARY 2018)
1. Emergency Relief Aid (Blankets, Food Parcels and Plastic Sheeting)	R 554 004.00	R554 004.00
2. Emergency Relief Aid (Temporary Shelter)	R 165 996.00	R60 000.00
3. Community Awareness Campaigns	R 110 964.00	R28 000.00
4. Capacity Building Programmes	R 50 004.00	R20 000.00
5. Review Of The District Disaster Management Plan	R 99 996.00	R10 000.00
6. Installation Of Lightning Conductors	R168 000.00	R60 000.00

It is important to mention that the District Disaster Management Centre achieved targets as set out in the SDBIP (doing more with less), through implementing strict fiscal discipline by adhering to the austerity measures that are set out by iLembe District Municipality. The Provincial Disaster Management Centre also assisted the



district by providing additional blankets, plastic sheeting and Box B relief (which includes gel stoves, pots and cutlery sets).

## 2.6.7 STATUS AND RESULTS OF DISASTER RISK ASSESSMENTS UNDERTAKEN

### LIST OF PRIORITY RISKS (HAZARDS)

iLembe District Municipality is prone to a number of natural and men-made hazards such as (veld fires and structural fires), heavy rain, lightning, strong wind, drought, road and railway accidents etc. In complying with the requirements of the Disaster Management Act No. 57 of 2002, it is important to conduct the Risk Analysis in order to identify and prioritize potential hazards and threats that are likely to occur within the District. The vulnerability of communities within the District varies, which mainly depends on socio-economic status as well as the exposure of particular households or communities to specific hazards. Below is a list of priority hazards in all four local municipalities, with spatio-temporal characteristics of these hazards well known since they have been observed and recorded over a period of time:

***Table 9: Priority hazards identified at iLembe District Municipality.***

HAZARDS	LOCATION
1. Severe weather:	
a. Lightning	In all Four Local Municipalities
b. Strong winds	In all Four Local Municipalities
c. Hail	In all Four Local Municipalities
d. Heavy rain	In all Four Local Municipalities
e. Extremely hot temperatures	In all Four Local Municipalities
f. Storm surges	Along the Coast
2. Fires (Structural and Veld Fires)	In all Four Local Municipalities



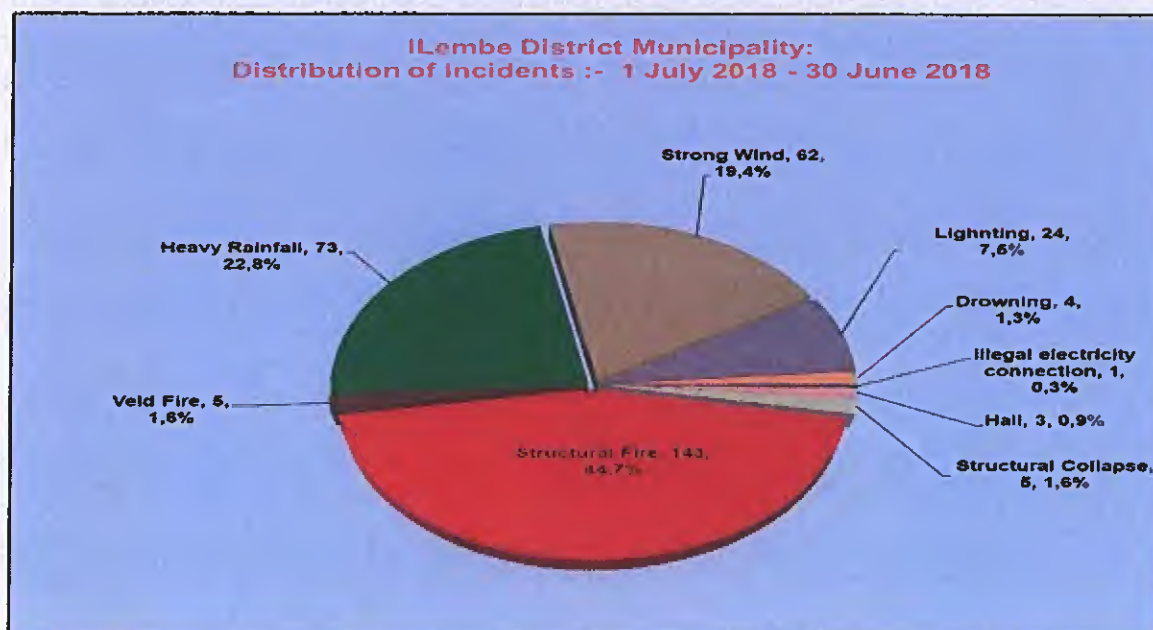
3. Drought	In all Four Local Municipalities
4. Accidents (Motor Vehicle Accidents)	Mostly on N2, R74, P711, R102 and P459
5. Illegal Connection of Electricity	In all Four Local Municipalities

## 2.6.8 INCIDENT STATISTICS

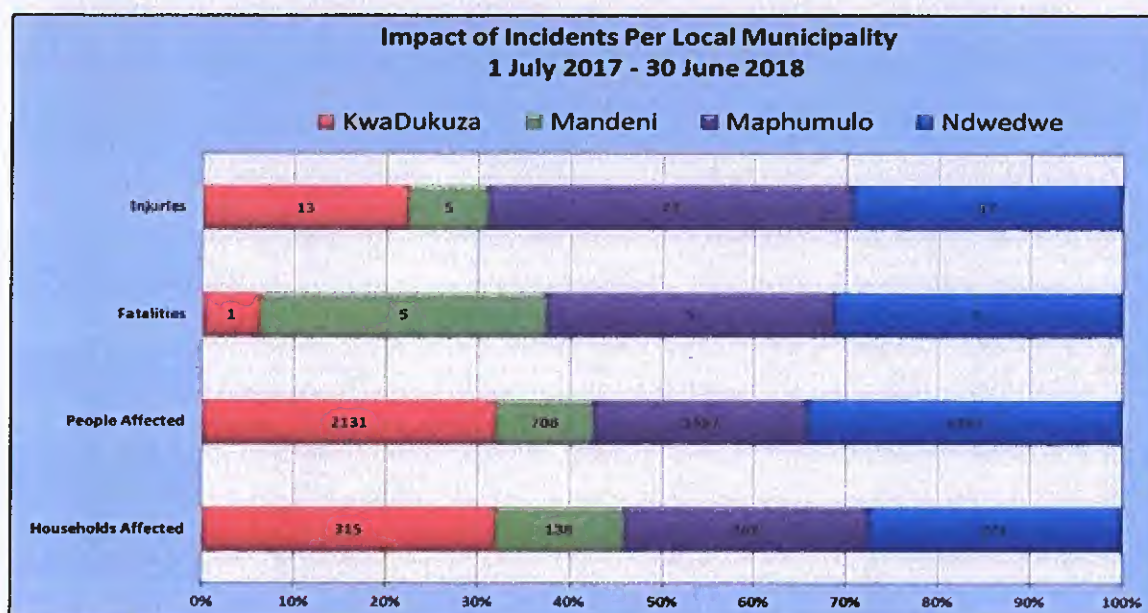
### INCIDENTS REPORTED DURING 2017/2018 FINANCIAL YEAR

Table 10: Number and type of incidents that occurred during the 2017/2018 financial	CAUSE OF AN INCIDENT									TOTAL
	Structural Fire	Heavy Rain	Strong Wind	Lightning	Structural Collapse	Hail	Veld Fire	Drowning	Illegal electricity connection	
KwaDukuza	51	31	26	1	3	3	0	0	0	115
Mandeni	30	10	4	0	1	0	1	3	0	49
Maphumulo	32	12	10	15	1	0	4	0	1	75
Ndwedwe	30	20	22	8	0	0	0	1	0	81
iLembe District	143	73	62	24	5	3	5	4	1	320

Table 2 above illustrates the number and type of incidents that were experienced at iLembe District from 1 July 2017 – 30 June 2018 period. A total number of three hundred and twenty (320) incidents were reported during the 2017/2018 financial year at iLembe District. KwaDukuza Local Municipality reported the highest total number i.e one hundred and fifteen (115) incidents, followed by Ndwedwe Local Municipality with eighty one (81) incidents. Maphumulo Local Municipality also recorded a total number of seventy five (75) incidents, with Mandeni Local Municipality reporting a total number of forty nine (49) incidents.



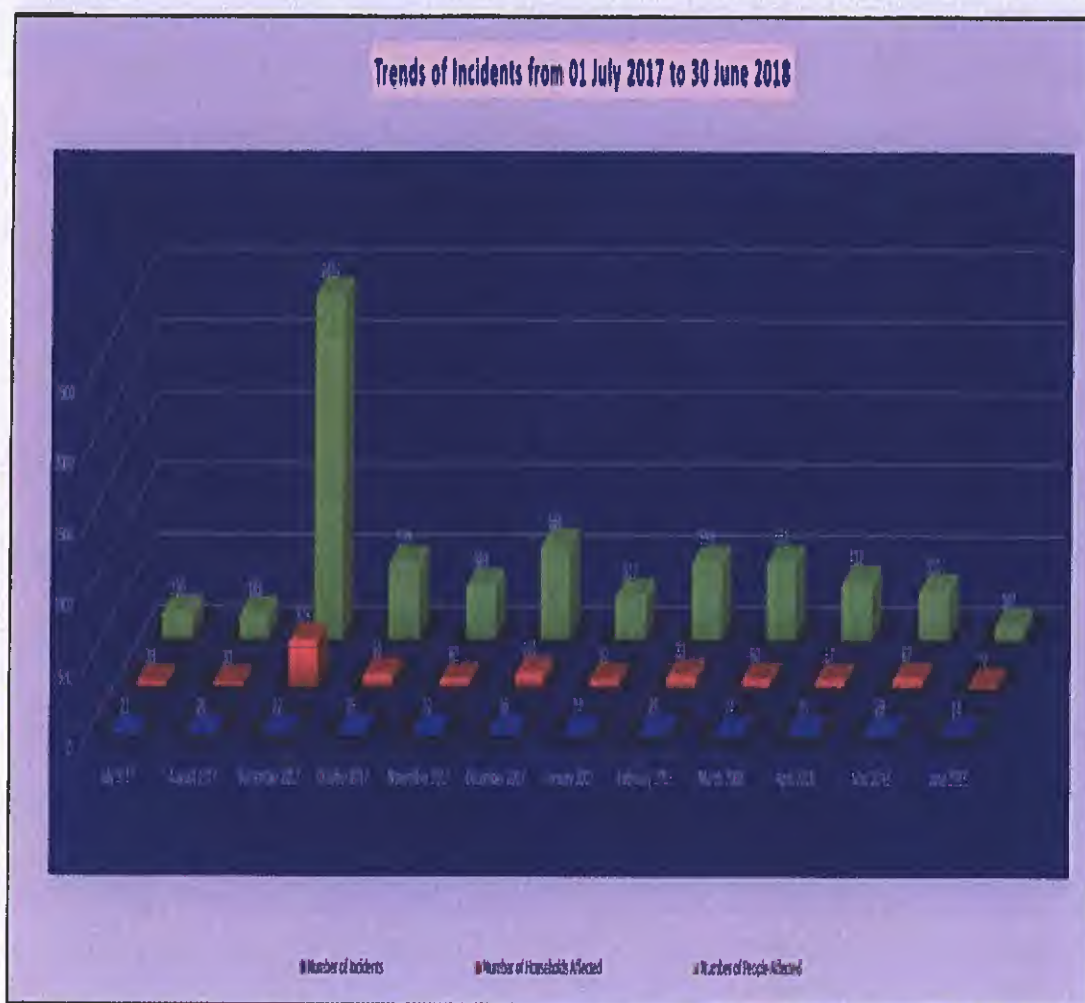
**Figure 5: iLembe District Distribution of Incidents during 2017/18 Financial Year**



**Figure 6: Impact Of Incidents Per Local Municipality During 2017/18 Financial Year.**

Figure 2 above illustrates the impact of the incidents per local municipality during the 2017/2018 financial year. KwaDukuza Local Municipality was the worst affected municipality where three hundred and fifteen (315) households were affected with two thousand one hundred and thirty one (2131) people affected. In KwaDukuza, one (01) fatality was also confirmed with thirteen (13) injuries also reported. The next worse affected municipalities were Ndwedwe, Maphumulo and Mandeni respectively.





**Figure 7: Trend of Incidents during 2017/18 Financial Year**

In terms of Figure 7 above, there was a notable increase in the number of incidents during September 2017, where severe thunderstorms affected a huge number of households, including a number of schools within the District.

## 2.6.9 COMMUNITY AWARENESS CAMPAIGNS

iLembe District is prone to a number of natural and man-made hazards that have a huge impact on both human life and the environment, and often requires the intervention of the Disaster Management Centre's as they are always unpredictable. It is in this view that the District has adopted a strategy of increasing awareness about the risks that are prevalent within the District and its family of municipalities. The community awareness programme has been developed in line with the provisions of the Disaster Management Act No. 57 of 2002, the Provincial Disaster Management Framework of 2010 and the National Disaster Management Framework of 2005. It is important to mention that all awareness campaigns that are conducted are unique to

specific audiences, and this is mainly dependent on the nature of their vulnerability to certain risks and hazards.

All awareness campaigns conducted are also in line with Enabler 2 of both the National and Provincial Disaster Management Frameworks, whilst they remain a critical component of disaster risk reduction. Other considerations that are key during ongoing community awareness campaigns also include some of the best world practices including Millennium Development Goals and the Sendai Framework for Disaster Risk Reduction. The District has also adopted a strategy to conduct ongoing community awareness campaigns in partnership and in collaboration with a number of disaster management stakeholders. Some of the critical stakeholders include local municipalities, sector departments, traditional leaders, media, Councillors, Ward Committees etc. It is also important to mention that ongoing community awareness campaigns are conducted to assist local communities to exercise risk avoidance behaviour, whilst taking necessary precautionary measures at all times. The District Disaster Management Centre has also adopted a strategy to conduct ongoing awareness campaigns in an integrated manner, through utilising some of the existing municipal public participation programme. The District Disaster Management Centre exceeded its targets as set out in the municipal SDBIP as it conducted a total of twenty eight (28) community awareness campaigns during 2017/18 financial year.

#### **2.6.10 CAPACITY BUILDING PROGRAMMES**

The capacity building programme is one of the approaches taken by iLembe District to comply with the provisions of the Disaster Management Act No. 57 of 2002, including both the Provincial and National Disaster Management Frameworks. Such training programmes are crucial in increasing the numbers and competencies of disaster management practitioners, as well as increasing the overall humanitarian skills and knowledge of local disaster management stakeholders and communities. iLembe District has adopted the approach of working together with different stakeholders in order to assist disaster prone communities to develop the knowledge and necessary capacities towards the implementation of disaster risk reduction programmes.

The developed capacity building programme is also aimed at promoting the culture of risk avoidance among stakeholders through integrated disaster risk management education and training. All capacity building programmes are also critical towards achieving the requirements of Enabler 2 of the National Disaster Risk Management

Framework. The District conducted a total number of eighteen (18) capacity building programmes during 2017/18 financial year.

#### **2.6.11 BEST PRACTICES / ACHIEVEMENTS / SUCCESSES**

There are various best practices taking place throughout the iLembe District Disaster Management Centre. Below is the disaster management best practice activities or successes by iLembe District Municipality:

- The District has partnered with the Provincial Disaster Management Centre (PDMC) in encouraging vulnerable communities to buy lightning conductors.
- The District has also encouraged all local municipalities to budget for disaster management, including budget for disaster risk reduction programmes such as the installation of lightning conductors.
- In the previous financial year, Maphumulo Local Municipality in partnership with PDMC and the District has installed a total number of eighty six (86) lightning conductors to vulnerable communities and the District in partnership with the PDMC has installed eighteen (18) lightning conductors to support local municipalities.
- Through ongoing capacity building programmes by the District, the Local Municipalities have committed to budget for disaster management, including alignment of the disaster management sector plans into their Integrated Development Plans (IDPs).
- The District has initiated the process of incorporating issues that are mentioned in the Disaster Management Amendment Act 16 of 2015 as part of reviewing the District Disaster Management Plan, and this includes Climate Change Impacts.
- In fulfilling the requirements of the Safety at Sports and Recreational Events Act, the District is actively involved in all stages leading to minor and major events, in an effort to ensure safety of communities during such events.
- The District Disaster Management Centre is one of the key stakeholders that are involved in all District Climate Change interventions, especially Climate Change Adaptation.

#### **2.6.12 CHALLENGES AND CONCERNS**

- Lack of Firefighting capacity within the District and its family of municipalities, especially at Ndwedwe and Maphumulo Local Municipalities



- Poor attendance by the sector departments/other spheres of government poses a risk of not addressing all consultative activities on issues concerning disasters and disaster management in the District.
- The state of readiness is questionable in local municipalities where there are no budget provisions for disaster management. In instances where such budgets exists, the extent to which they are being utilized for disaster risk reduction must be communicated to all relevant stakeholders.
- In responding to minor and major incidents, there is generally a poor co-ordination (including response time) in the municipalities where there is a limited number of personnel who are employed to deal solely with disaster risk management.

#### **2.6.13 STATUS OF FIRE SERVICES**

In line with the Disaster Management Act, Section 54 (3): (a) the municipality have a responsibility for coordination and management of disasters and must deal with a local disaster in terms of existing legislation and contingency arrangements if a local state of disaster has not been declared, (b) in addition to the above section 55(2) deals with instances where a local disaster has been declared. Currently, at iLembe District, only KwaDukuza and Mandeni Local Municipalities have establish mechanisms for firefighting capacity. KwaDukuza is performing the firefighting function in house with two Fire Stations that are located in Ballito and Stanger. Mandeni have outsourced the service to a Service Provider for a period of three years, where there is an expectation of skills transfer once the contract has expired. One of the challenges is that there is no firefighting capacity at Ndwedwe and Maphumulo Local Municipalities. This scenario poses major challenges as there is lack of prompt and effective response to fire incidents at Maphumulo and Ndwedwe Local Municipalities as illustrated in table 5 below.

Municipality	Responsibility	Firefighters	Area km <sup>2</sup>	Capacity (Equipment)
Mandeni LM	Outsourced To The Service Provider	14 x Fire Fighters, 1 x Chief Fire Officer, Volunteers	545 km <sup>2</sup>	1 x Medium Fully Equipped Fire Engine 1 x Rapid Response LDV 4x4 Skid Unit
KwaDukuza LM	KwaDukuza LM	Chief Fire Officer (1), Divisional Officer (1), Station Officers (2), Fire Fighters (72)	735 km <sup>2</sup>	4 Rescue Vehicles 1 Skid Unit 5 Utility Vehicles
Ndwedwe LM	IDM/KDM	Nil	1093 km <sup>2</sup>	Nil

Municipality	Responsibility	Firefighters	Area km <sup>2</sup>	Capacity (Equipment)
Maphumulo LM	IDM/KDM	Nil	896 km <sup>2</sup>	Nil
<b>ILEMBE DISTRICT</b>	<b>NIL</b>			

The District has developed a long term plan (aligned to the IDP) to ensure establishment of firefighting capacity, especially at Ndwedwe and Maphumulo Local Municipalities. The District continues to engage other external stakeholders to assist towards the full establishment of fire fighting services within the district, in complying with Section 84 (j) of the Municipal Structures Act.

#### 2.6.14 CLIMATE CHANGE INTERVENTIONS

Section 24 of the Constitution (Act of 1996) of the Country compels the environmental sector to manage environment such that it does not become harmful to the wellbeing of all South African Citizens. Furthermore, chapter 3 of the Constitution provides for the cooperative governance by compelling the different spheres of government to cooperate and consult with one another to ensure cooperative governance. This constitutional perspective supports the principles of integration, participation and cooperation that are fundamental to working towards sustainable development. In responding to the resolutions of the previous Disaster Management and Climate Change workshop as well as the recent Back to Basics with Disaster Management Workshop, the District has established iLembe Environmental Management Forum (IEMF) to basically, promote coordination and integration of plans and programmes for the benefit of the local people. The main purposes of the iLembe Environmental Management Forum (IEMF) is to facilitate the coordination of environmental management matters and to encourage compliance to the existing legal tools ranging from local, provincial, national and the international context.



### **3.1. PERFORMANCE MANAGEMENT PROCESSES**

The Municipal Systems Act (MSA) of 2000, Section 38(a) mandates municipalities to establish performance management systems, and the Planning and Performance Management Regulations of 2001, describes the municipality's Performance Management System (PMS) as consisting of a framework that articulates and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed as well as to determine the roles of different stakeholders

Performance management is a process that measures the implementation of an organisation's strategy. It provides a mechanism to measure whether targets to meet its strategic objectives set by municipalities and its employees are met. The PMS implementation and management process is carried out at iLembe in different phases namely:

Phase 1: Planning

Phase 2: Monitoring and managing performance information

Phase 3: Performance measurement and analysis

Phase 4: Performance review and improvement

Phase 5: Performance report

Co-ordination involves the overall responsibility of being the custodian of the district's performance management system and managing the system on behalf of the Municipal Manager. This is a strategic function which resides in the Office of the Municipal Manager.

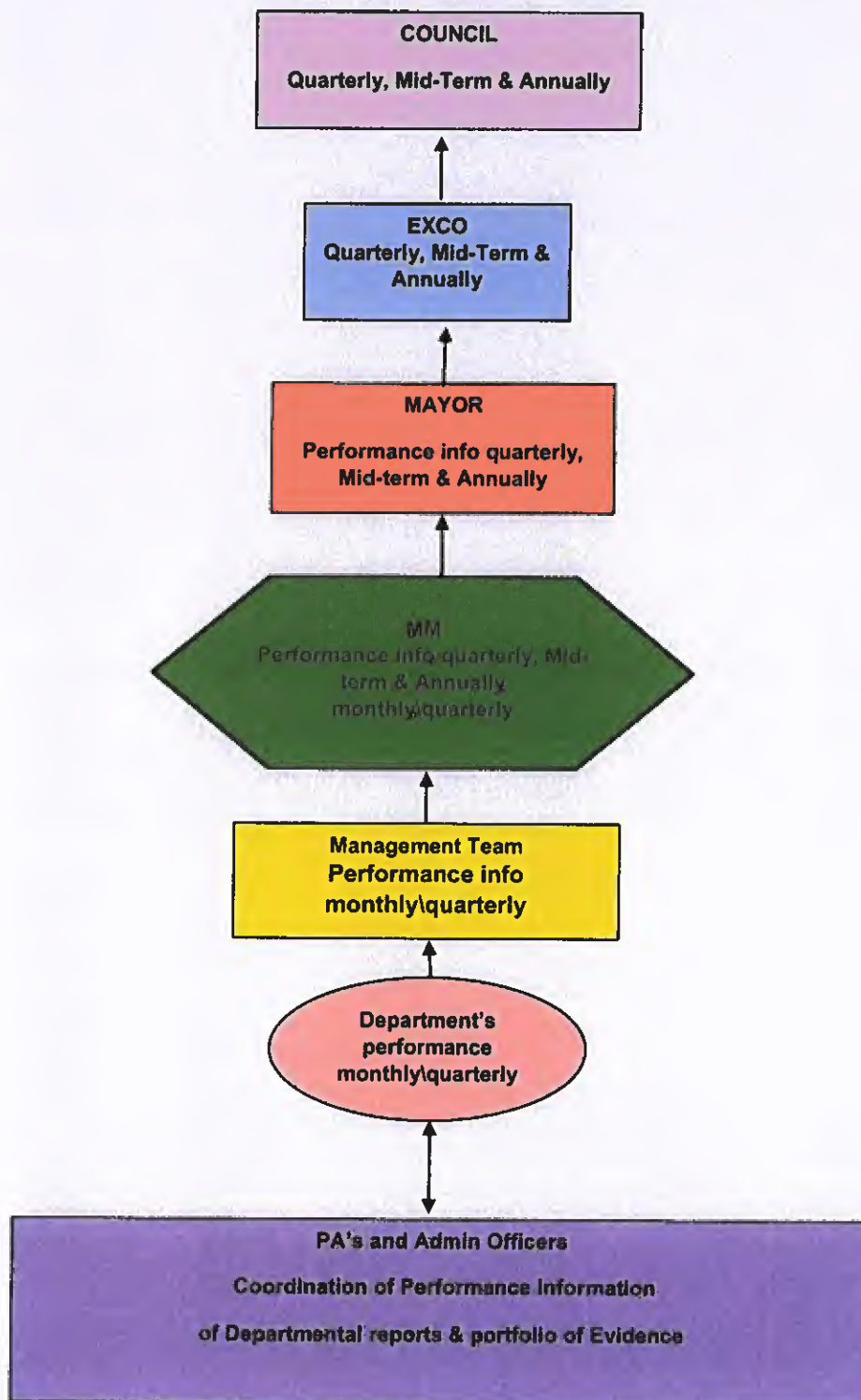
The co-ordination of the implementation phases of performance management is the function of the PMS department who are responsible for the following core activities:

- Co-ordination of the development and implementation activities of the organisational PMS, through interaction with all relevant stakeholders;

- Ensuring and overseeing the implementation of the Performance Management Framework and compliance to all performance legislative requirements in respect of the implementation of the PMS;
- Providing regular support and capacity to the different departments in developing departmental scorecards;
- Continuously providing technical support to the Municipal Manager and the senior management team with implementation, assessment, review, monitoring and information management;
- Providing capacity for analysing organisational performance information submitted by Senior Managers on a quarterly, mid-term and annual basis in preparation for reporting;
- Responsible for co-ordination and compiling the annual Section 46 performance report;
- Ensuring that all quarterly, mid-term and annual organizational performance reports are submitted to relevant stakeholders timeously, for example, quarterly, mid-term and annual performance reports to EXCO, Council, the Auditor-General, MEC of Cooperative Governance and Traditional Affairs (COGTA) and the public (through website; print media notification and copies are made available for viewing at municipal offices).

The performance monitoring flow chart is as follows:





The Municipal Systems Act of 2000, section 46 (2), requires the municipality to compile an Annual Performance Report that forms part of the Annual Report prepared in terms of the Municipal Finance Management Act. This Report therefore focuses on the Organisational Objectives, and the achievements thereof made by the iLembe District

Municipality in the 2017/2018 financial year. It also provides feedback on the targets as set out in the approved Organisational Scorecard as well as the Service Delivery and Budget Implementation Plan used to monitor performance at an operational level.

### 3.2 PERFORMANCE AND SUPPORTING INFORMATION

The monitoring system places responsibility on each department and individual employees to collect relevant data and information to support the monitoring process. Evidence of performance is gathered and presented to substantiate claims of meeting (or not meeting) performance standards. All portfolios are verified against the reported actual, as it confirms the status of targets met and not met.

### 3.3 ORGANISATIONAL PERFORMANCE

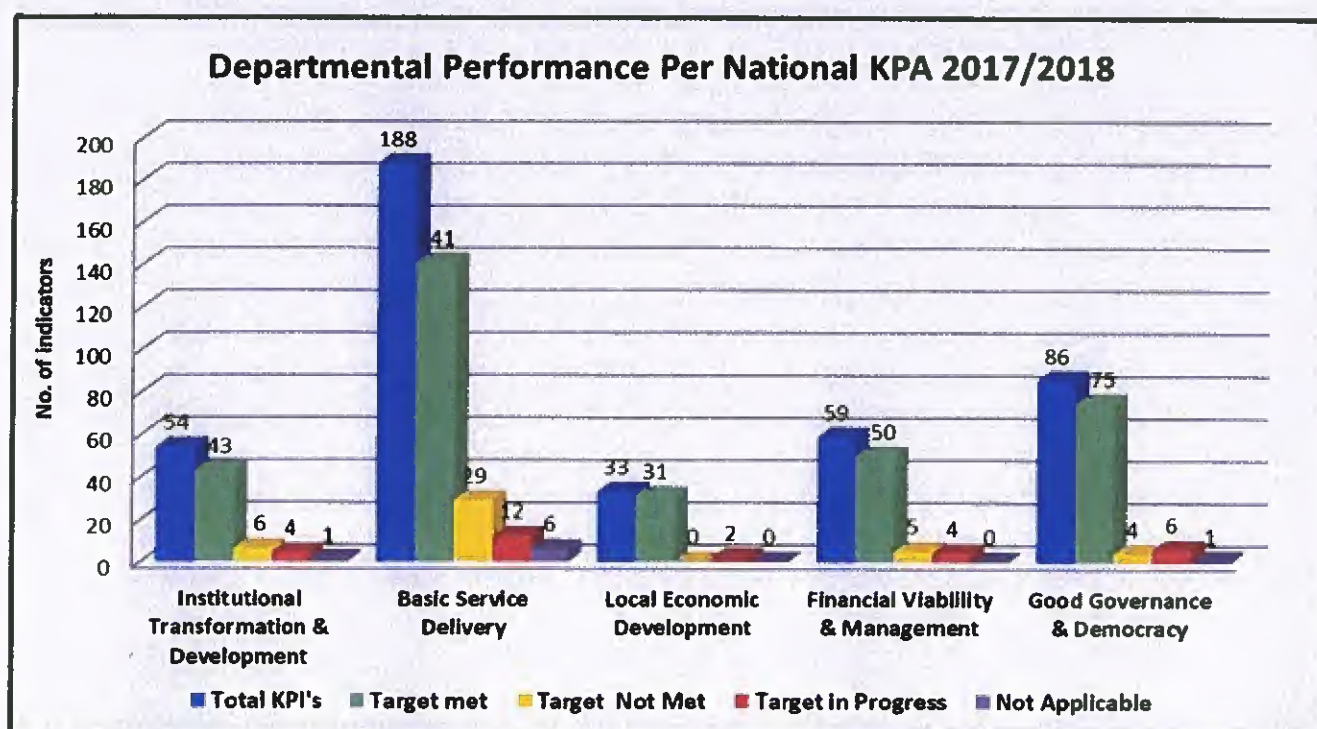
The Organisational scorecard is a layered plan, with the top layer dealing with consolidated service delivery targets and linking these targets to departmental Service Delivery and Budget Implementation Plans.

The following table indicates the National Key Performance Areas (NKPA's) which includes the number of Key Performance Indicators (KPI's) on the Organisational scorecard and departmental Service Delivery and Budget Implementation Plans (SDBPI's).

NATIONAL KPA'S	ORGANISATIONAL SCORECARD	DEPARTMENTAL SDBIP'S
Basic Service Delivery	8	188
Financial Viability & Management	7	59
Institutional Transformation & Development	4	54
Good Governance & Democracy	4	86
Local Economic Development	1	33



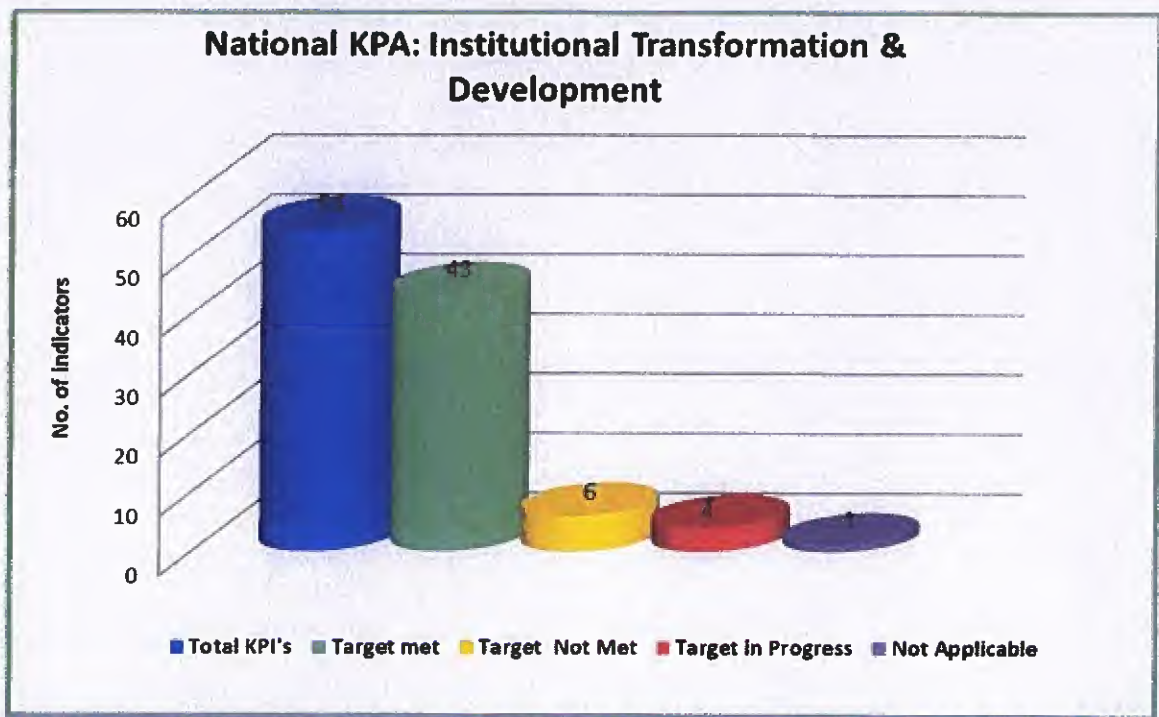
The following diagram depicts the performance per national KPA:



NATIONAL KPA's	TOTAL KPI's	TARGET MET	TOTAL TARGET MET %
Institutional Transformation & Development	54	43	80%
Basic Service Delivery	188	141	75%
Local Economic Development	33	31	94%
Financial Viability & Management	59	50	85%
Good Governance & Democracy	86	75	87%

COMPARISON OF PERFORMANCE OF NATIONAL KPA'S FROM 2016/2017 TO 2017/2018			
NATIONAL KPA'S	2016/2017	2017/2018	PERFORMANCE MOVEMENT
Institutional Transformation & Development	72%	80%	↑
Basic Service Delivery	74%	75%	↑
Local Economic Development	80%	94%	↑
Financial Viability & Management	72%	85%	↑
Good Governance & Democracy	87%	87%	↔

### 3.4 INSTITUTIONAL TRANSFORMATION AND DEVELOPMENT



The human resource department ensures efficient administration, this is done by reviewing all human resources policies to reflect changes that are effected by the developments in legislation, collective bargaining agreements and Council's resolutions. To implement the employment equity plan. The workplace skills implementation plan is done to improve the capacity of the staff to deliver services. The skills retention is done to ensure the municipality has well skilled and qualified employees. Employee wellness programmes are implemented to ensure the well-being of employees.

#### 3.4.1 PERFORMANCE HIGHLIGHTS AS PER THE ORGANISITAIONAL SCORECARD AND NATIONAL KPA

Ref Org: 13 - the vacancy rate is at 12, 84%, the staff establishment was reviewed according to the prioritised posts in order to ensure alignment with the budget affordability.

Ref: Org: 14 - Two appointments were made in terms of the employment equity target groups in the three highest levels of management.



Ref Org: 16 - Water quality monitoring and analysis is on track with 242 water samples taken and analysed, and all unsatisfactory samples were reported to relevant authority.

The municipal manager's plan covers targets that are reported by departments on a quarterly basis on highlights and challenges. Human Resource department and municipal health services submitted the reports.

A total of 7 human resources policies were reviewed and submitted to EXCO/Council in June 2018. All new employees were invited to attend the induction in terms of the induction policy.

The 5 year employment equity plan has been developed and submitted to LPA, EXCO and Council. The report on the employment equity plan was submitted to the Department of Labour on 8 January 2018. A report was also prepared on employment equity implementation monitoring and submitted to MANCO and the Human Resources Development committee. In terms of the workplace skills implementation, 100% of Councillors were invited for training and development programmes through COGTA, SALGBC and SETA approved programmes, 100% of formal letters were issued to employees for registration for formal education, and 27 employees were trained that did not form part of the WSP.

The District human resource development strategy/plan was done and submitted to EXCO/Council in June 2018. The workplace skills plan and annual training report was prepared and submitted to LGSETA on 30 April 2018. The skills retention policy was reviewed and the municipal external bursary policy was prepared and submitted to EXCO/Council for approval.

The entity has spent 112% of their budget on training employees. The organogram was reviewed and submitted to the board with 92% of the positions filled.

The occupational health and safety policy has been developed and submitted to EXCO/Council for approval, 184 staff were trained on site and 43 sites were inspected in terms unsafe working conditions. A total of 6 employee wellness programmes were held.



All scheduled Council and EXCO meetings were conducted. Portfolio committee meetings coordination was done by the department in terms of administration.

All legal cases were resolved excluding cases, which become the subject of contested litigation. Drawing up and vetting legal documents is done with 5 days and turnaround time for legal matters is done within a 5-day period and all service level agreements are finalised within one month of request.

The ICT security policy was reviewed based on the Auditor-General findings and submitted to EXCO/Council for approval. The IT disaster recovery plan was tested and these reports were submitted to budget and the Internal Audit unit as part of the Auditor-General audit action plan. The ICT strategy and ICT governance framework were also developed. The telephone management system was fully implemented and quarterly reports were prepared on the assessment and maintenance of the ICT infrastructure.

Vector control is ahead of target with 376 sites serviced against a target of 350. There were no vector borne notifiable medical conditions reported. All food handling applications received were processed within 14 days, building plans were scrutinised within 8 working days in terms of health regulations and all funeral undertakers' applications processed in terms of the regulation.

A total of 881 premises were inspected to reduce food borne illnesses and all reported food borne illnesses were investigated. One hundred and three health education awareness campaigns were held.

#### **3.4.2 CHALLENGES AS PER THE ORGANISITAIONAL SCORECARD AND NATIONAL KPA**

Ref: Org: 15 - The municipality's budget actually spent on implementing the approved 2017/2018 Workplace Skills Plan is at 50% against a target of 100% and the target was not met due to austerity measures being implemented.

- The percentage of employees trained is at 22% against a target of 30%. The percentage of programmes implemented in line with the WSP is at 20% against a target of 30%, these targets were not met due to austerity measures being

implemented, as well as number of planned programmes that were put on hold until such time the cash flow situation improves.

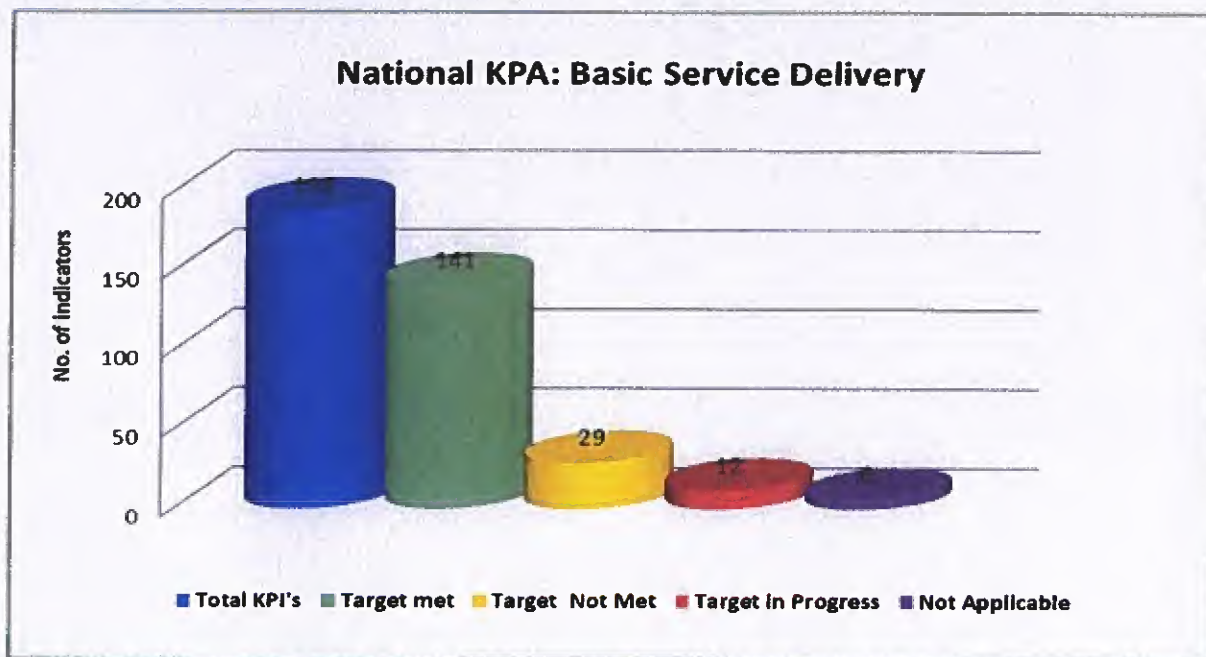
- The appointment of a service provider to assess iLembe House municipal buildings based on safety was not done, as the request was advertised and only one service provider responded with a value that exceeded the threshold amount for the quotation.
- The implementation of the records management system was not done, as it needed to be approved by the KZN Archives before implementation, who also needs to source an accredited service provider who will install the software then train all staff.
- All SLA's were renewed before expiry date except one for Mimecast, which has been signed by IDM, awaiting the signature of the service provide who is in the process of finalisation.
- Phase 1 of the energy efficiency technology for water and sewer treatment plants, has not been fully implemented, only at 80% progress, the target was not met due to issues with the installed equipment, the service provider has been given time to rectify.

### **3.4.3 MEASURES TAKEN TO IMPROVE PERFORMANCE AS PER THE ORGANISITAIONAL SCORECARD AND NATIONAL KPA**

Ref Org: 15 - The learning programmes that were not implemented in the 2017/2018 financial year will be differed to the 2018/2019 workplace skills plan.

- The learning programmes that were not implemented in the 2017/2018 financial year will be deferred to the 2018/2019 workplace skills plan.
- Appointment of the service provider to assess the municipal buildings will be done in the new financial year.
- Once KZN archives gives approval, the electronic management system will be implemented.
- The Mimecast SLA will be finalised in the first quarter of the new financial year.
- The target for energy efficiency project will be met by the first quarter of the new financial year.

### 3.5 BASIC SERVICE DELIVERY



The core function of the municipality is to ensure sustainable provision of water and sanitation services and improve access to these basic services thereby reducing backlogs. The provision of water must be of excellent quality that will meet or exceed the National Standards. Response time to water and sanitation interruptions is crucial for services reinstated therefore specific timeframes have been set that must be adhered to and monitored for continuous customer service.

*The table below shows the households connected for water and sanitation for the 2017/20178 financial year:*

TOP LEVEL SUMMARY OF 2017/2018 HOUSEHOLD (HH) BENEFICIARIES			
	TOTAL NUMBER TARGETED	ACTUAL NUMBER CONNECTED	PERCENTAGE ACHIEVEMENT AGAINST TARGET
<b>WATER</b>	2 527	601	24%
<b>SANITATION</b>	1 160	2 338	202%

#### 3.5.1 PERFORMANCE HIGHLIGHTS AS PER THE ORGANISATIONAL SCORECARD AND NATIONAL KPA

Ref Org: 3 - to ensure continuous and sustainable sanitation services, the total number of households with access to sanitation, is 2 338 of which 1 566 are Ventilated Improved Pits

(VIP) at Ndwedwe and Maphumulo areas. 772 are Ventilated Improved Pits (VIP), which are Pour flush toilets at Mandeni area.

The overall achievement against annual target is 202% for sanitation obtained for 2017/2018 financial year. There are 1 178 households with access to sanitation, that were not targeted for in 2017/2018. These connections have an impact on the sanitation backlog eradication that decreased by 1, 22%, which is an improvement of 0.76% when compared to the previous financial year, 2016/2017, which was 0.46%.

Groutville Waterborne Sanitation - Various projects commenced as far back as 2012 but are incomplete due to poor performance of service providers. A new service provider was appointed in March 2018 and all these old projects are consolidated under Groutville D Phase 2. The project is at construction stage and it is ahead of target due to introduction of CPG's (Contract Participation Goals) and employment of additional resources.

Ref Org: 5 - As part of the Extended Public Works Programme (EPWP) through water, sanitation infrastructure and service delivery efforts 811 people were employed from all local municipalities within the District.

- To provide excellent water quality that meet or exceed national standards and to monitor wastewater quality, twelve monthly reports were prepared as of end June 2018 for blue drop and green drop assessment status.
- All maintenance and AC replacements projects for are on track.
- Quarterly reports are prepared on monitoring of the concession in terms of the Siza Water Plan.

### **3.5.2 CHALLENGES AS PER THE ORGANISITAIONAL SCORECARD AND NATIONAL KPA**

In terms of the water projects, Ref Org: 01, the following challenges were experienced:

- Southern Regional Bulk water and sanitation scheme – There are Environment Impact Assessment (EIA), Water Use Licence Application (WULA) and land issues



- Ngcebo/KwaDukuza and Balcombe/KwaSizabantu Water Supply (Maphumulo) – Total household beneficiaries targeted for new water provision was 2 527. The actual number of households with access to water is six hundred and one (601).  
The target was not met, as some households could not be connected until construction is completed. Further, the number of households connected was reported in 2016/2017 financial year, for some projects as they were completed in previous financial year, no households connected were reported in 2017/2018 financial year thus the households connected for 2017/2018 do not apply, and should have not been targeted for as the projects are complete.
- There was a delay in implementation on the 2.5 ML Mgigimbe Reservoir and Embonisweni Pump Station due to the unavailability of power. The practical completion was in March 2017 and KwaDukuza Municipality has finally installed the electrical connection in May 2018.
- Off take (OT) 7 – Blythedale 400mm dia pipeline & 5ML Reservoir - Environment Impact Assessment (EIA) and Water Use Licence Application (WULA) are not yet finalised.
- OT 13A - Ingelmere Estate, Helmsley, Mursia cane - 400mm dia pipeline & Reservoir and OT 13B - Ingelmere Estate - 300mm dia pipeline - The gate review (Technical meeting, to discuss preliminary design) with the Consultant is not yet finalised.
- Macambini Water Supply Phase 2 - The following projects have been pushed back due to financial constraints. As a result the annual target of Stage 5 (Documentation and Procurement) is at 20%, and was not met as project progress is at 5%.
  - Makhwinini area - Phase 4
  - Phase 5B – Reticulation
  - Phase 6A, 6B, 7A, 7B, 8A, 8B, - Reticulation
  - Phase 9 – Reticulation
- Ndulinde Water Supply Scheme (Mandeni) - is not complete due to delay on project award. Contract award and construction took place in March 2018. The project progress is at 60%.

*In terms of the sanitation projects Ref Org: 03, the following challenges were experienced:*

- Sundumbili wastewater works upgrade – Stage 4 (detailed design) target was not done. Land acquisition has been finalised and a detailed feasibility study is complete and

submitted to the Department of Water and Sanitation for funding approval. Awaiting for DWS approval.

- KwaDukuza Regional wastewater works upgrade. The business plan is completed and submitted to DWS for funding approval. No feedback received to date from DWS as a result, the project has not started.
- Water losses – Percentage reduction of unaccounted water (real water losses) is at 1%, when compared to target of 1.5%. Non-Revenue Water volumes decreased by an average of 376 kl/day thus the proportional percentage of Non-Revenue has decreased by 1% compared to the previous financial year.

### **3.5.3 MEASURES TO IMPROVE PERFORMANCE AS PER THE ORGANISITAIONAL SCORECARD AND NATIONAL KPA**

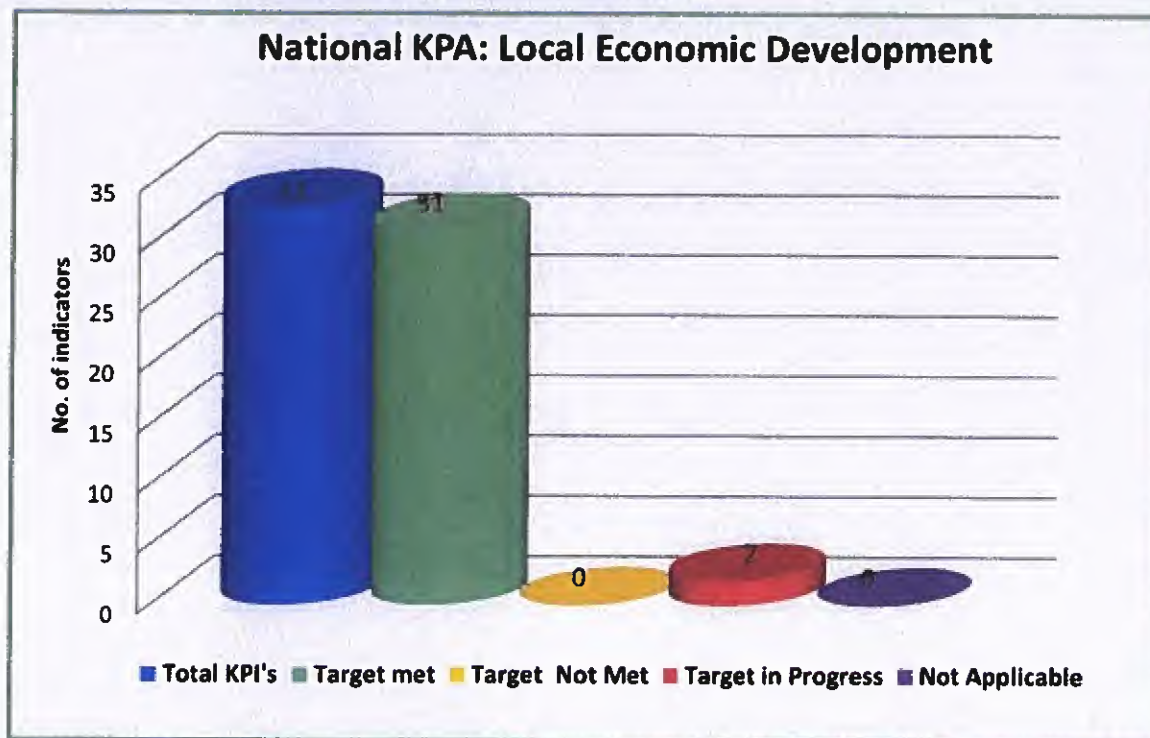
In terms of the water projects, Ref Org: 01 -

- The household connections will be done in 2018/19 financial year.
- Consultant is working on the amended project scope for OT 13A & 13B for Ingelmer Estate.
- To fast track Ndulinde Water Supply Scheme.

In terms of the sanitation projects, Ref Org: 03 -

- The Sundumbili Waste Water Works upgrade and the KwaDukuza Regional Waste Water Works projects are awaiting approval. Once DWS approval is obtained, the projects will continue to the next stages.
- As part of the Water Conservation/Water Demand Management Plan, one of the key criteria for sustainability is to reduce the amount of Non-Revenue Water as much as economically viable. This is ideally done by increasing the number of billed connections (revenue) and by reducing the number of real losses (leaks) in the system. The implementation of active leak detection surveys throughout the Districts has added to reducing leakage

### 3.6 LOCAL ECONOMIC DEVELOPMENT



Enterprise iLembe continues to improve co-ordination of Local Economic Development in the District, upscale agriculture, capitalise on tourism potential, to increase manufacturing output in the District and to ensure job creation.

#### 3.6.1 PERFORMANCE HIGHLIGHTS AS PER THE ORGANISATIONAL SCORECARD AND NATIONAL KPA

Ref Org: 17 - A total of 20 small scale farmers were introduced by the entity.

The annual IDP was reviewed and adopted by Council on 29 May 2018. Eleven planning and infrastructure meetings were held. In terms of the District growth and development plan, the process of reviewing the plan has commenced and a summit was held in June 2018.

District climate change response plan is currently being prepared in collaboration with the Department of Environmental Affairs. The new business plan for the development planning shared services has been prepared and approved by the Technical sub forum and Council.

The terms of reference for the integrated waste management plan has been prepared. The procurement has been executed through the Vuthela iLembe LED programme, as funding for this exercise was not available internally. A service provider has been appointed and the project will commence soon.

The National Schools Nutrition programme is on track with 61% produce procured from local iLembe farmers. LED forum meetings are held quarterly. A total of 36 small scale farmers are maintained/supported. A report has been prepared on the outcome on the engagements with government departments regarding new markets for farmers. A total of 7 Agriparks meetings were held to date. One agricultural hydroponic tunnel is ready for operation at Maphumulo area.

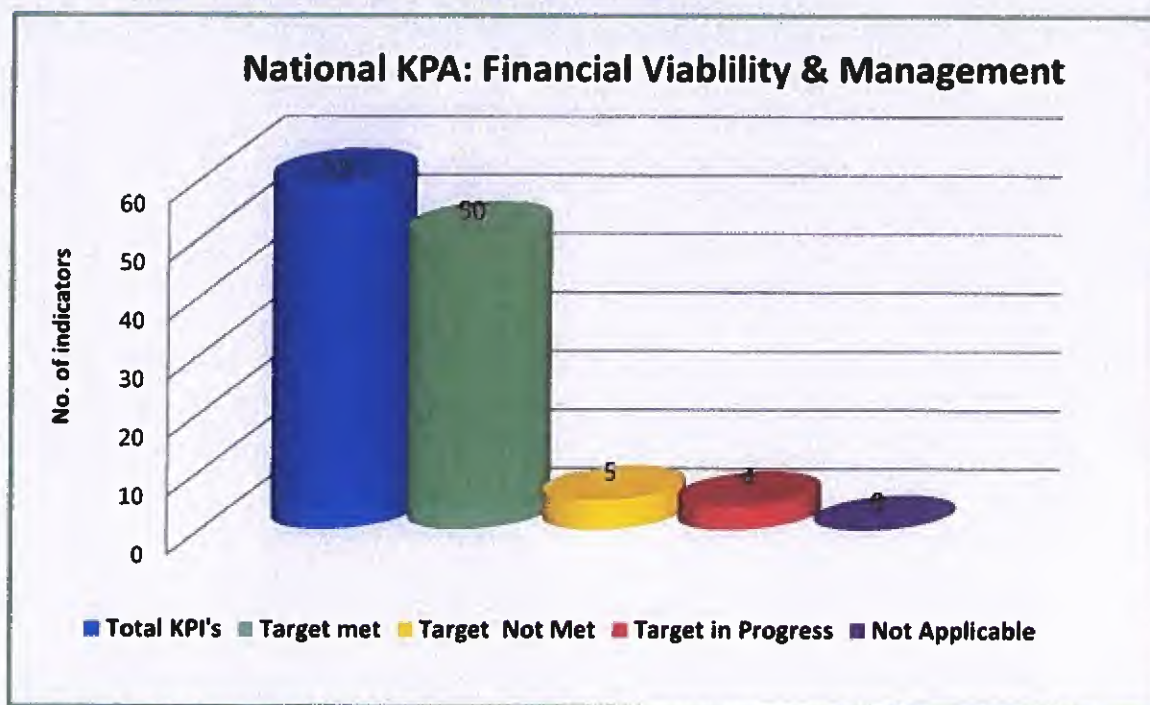
In terms of tourism, a progress report has been prepared on the feasibility study conducted for new tourism initiatives. Six exhibitions were attended, six adverts/advertorials were in relevant publication, one official Tourism Travel guide for 2018/2019 was developed, and quarterly tourism industry research performance reports have been prepared. The large catalytic projects have been identified and packaged for funding and the entity is facilitating the implementation of these two projects. Two business confidence indexes have been developed. The investment promotion strategy was adopted and circulated. The investor prospectus has been reviewed.

A total of 22 business networking sessions were attended/hosted and two progress reports were submitted on the entrepreneur competition. Thirty nine new co-operatives were registered, 94 co-operatives were trained and 15 co-operatives and SMMES were assisted with funding applications.

The skills audit report was prepared in May 2018. Two programmes were rolled out in terms of the capacity building and mentorship support for small enterprises, 2 incubation programmes were held that is the District Wide Incubator and the Sfera Panel beaters programme. Two engagement sessions with local businesses were done. The broadband package application to source funding was done; DBSA and DTI have been identified as funders.



### 3.7 FINANCIAL VIABILITY AND MANAGEMENT



Compliance monitoring is crucial to ensure all legislative deadlines are adhered to. The finance department therefore continuously ensures that effective and adequate financial management is always a priority. The budget and compliance unit meets all required legislated standards to ensure credible budgeting. The focus of the budget and compliance department is on monitoring and ensuring compliance with the MFMA and relevant regulations.

The expenditure management unit maintains sound expenditure management principles.

The Assets and logistics management department implements sound and effective asset principles. Revenue management continues to monitor revenue collection and debtors' management. The Supply chain management unit continues to implement the framework policy, inventory principles and adherence to the approved policy.

#### 3.7.1 PERFORMANCE HIGHLIGHTS AS PER THE ORGANISITAIONAL SCORECARD AND NATIONAL KPA

- Ref Org: 6 - To ensure sound and credible general financial management principles, 100% of all statutory monthly reports to National & Provincial Treasury were submitted as per the section 71 regulation.

- Ref Org: 8 - Total debt coverage is at 13%. The norm is 45% and below, this indicates that the municipality has the capacity to increase funding from borrowings; however, this should be considered within the cashflow requirements of the municipality.
- Ref Org: 9 - As at end of June 2018, 93% of municipality's annual capital budget was spent on agreed IDP projects for water and sanitation services. Quarterly reports were prepared in terms of status/progress on the municipality's annual capital budget spent on agreed IDP projects.
- Ref Org: 10 – The collection rate is at 69%, when compared to target of 65%.
- Ref Org: 11 – Turnaround time for awarding all the tenders (bids) is at 87 days, against a target of 120 days. Improvement is due to efficiency in awarding tenders and SCM processes.
- Ref Org: 12 - The annual financial statements for the 2016/2017 financial year were submitted to the Auditor - General on 31 August 2017 and the consolidated financial statements were submitted on 30 September 2017. There were no repeat findings in the 2016/2017 Auditor – General's management report relating to basic service delivery, good governance and democracy and Enterprise iLembe. The entity obtained a clean audit for the 2016/2017 financial year and all audit queries are resolved.
- All overdue accounts are being restricted. Debtor's management – 100% of debtors over 90 days are issued with notices via statements of accounts/SMS. The percentage of households on the indigent registered earning less than R3500.00 with access to free basic services is at 100%, as per approved applications. Bad debts written off as a percentage of the bad debts provision is at 100%.
- The fully funded operating and capital budget for 2018/2019 was approved by Council on 29 May 2018. The Municipality complied with KZN Provincial Treasury checklist on 2017/2018 approved adjustment budget and 2018/2019 first draft budget. Monthly Standard Operating Procedures monitoring reports, quarterly Auditor – General Key control and dashboard monitoring reports have been prepared. Financial statements are being prepared on a monthly basis and progress on audit queries resolved is at 91%, against the target of 80%.

- In terms of liquidity management, the cash/cost coverage ratio is at 29 days, when compared to target of 15 days. Remuneration costs monitoring is 33%, is within the norm of 25% to 40%.
- The implementation of procurement plan is at 81% against a target of 80%. The turnaround time for the Supply Chain Management processes in recommending preferred bidders to departments is 9,33 days against a target of 10 days for amounts between R30 000 and R200 000 and 2.01 days against a target of 5 days for amount between R2 000 and R29 999. Contract Management – quarterly consolidated reports are prepared on performance of service providers. In terms of inventory management monthly stock takes are done, turnaround time to resolve queries is at 14 days and monthly recons are conducted between the stock report as per Munsoft and the AFS.
- The verification of movable and immovable assets is being done quarterly and annually respectively. Twelve monthly reconciliations were conducted between the asset register and financial statements. Impairment of property, plant and equipment and investment and intangible assets is at 0.30% and the norm is 0%. Twelve monthly reconciliations were done between assets under construction and the project register.
- In terms of financial targets for the entity all targets are on track, all financial information ( MFMA Section 87(11) as well as performance information has been prepared, completed timeously and submitted by Enterprise iLembe to the District by stipulated deadlines. The cost coverage ratio for the entity is at 1.45:1 against a target of 1:1. Liquidity management, the cash/cost coverage ratio is at 44 days, when compared to target of 30 days. Target exceeded because of the funds received from Department of Education for the National Schools Nutrition Programme. Quarterly reports are prepared on performance of service providers by the entity

### **3.7.2 CHALLENGES AS PER THE ORGANISITAIONAL SCORECARD AND NATIONAL KPA**

- Ref Org: 7 – The average number of days taken for trade creditors to be paid was at 39 days at the end of 2017/2018 financial year. Cash flow position continues to be constrained given the persistent poor collection rate particularly from historic debt.

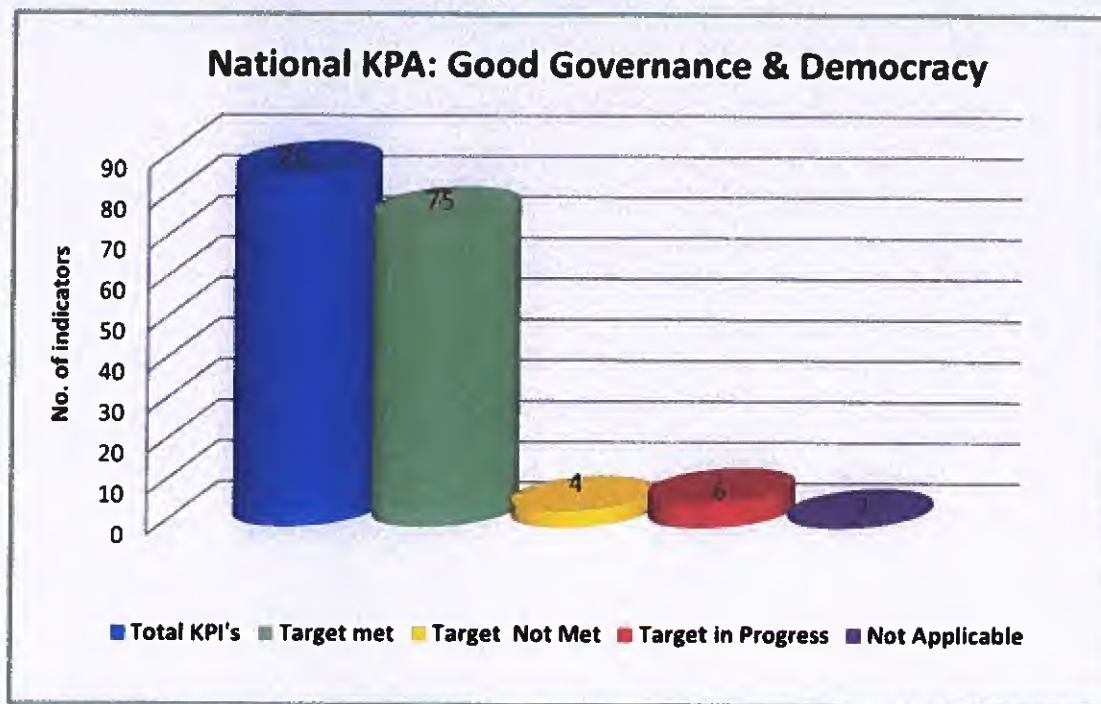
- Ref Org: 12 – Unqualified Audit Opinion with findings was received from Auditor-General for the 2016/2017 financial year. The material finding was for the money owed by the municipality that was not always paid within 30 days as required by section 65(2)(e) of the MFMA
- The revenue growth is at 2%, which is below target of 5%. This is due to change of sanitation tariffs as businesses negotiated rates were implemented, as they did not accept IDM evaluated rates, which affected revenue growth.
- The current ratio is at 0.89:1 against a target of 1.3:1. Cash flow position continues to be constrained given the persistent poor collection rate particularly from historic debt.

### **3.7.3 MEASURES TO IMPROVE PERFORMANCE AS PER THE ORGANISITAIONAL SCORECARD AND NATIONAL KPA**

- Ref Org: 7 – Management and Council are working vigorously to turn the situation around. This includes amongst other things:
  - Strengthening of credit control and collection measures
  - Stringent cash flow monitoring;
  - Revamping and re-enforcing control measures at the Stores after establishing procedural loopholes that have resulted into stock issues without proper accountability;
  - Building cash reserves by ring-fencing VAT Refunds / Interest earned on grant funded invested funds.
  - Cutting back on operational budget (i.e. non-grant funded expenditure)
- Ref Org: 12 – Council has adopted a 3-year financial turnaround plan aimed at addressing challenges around consumer debt collection, cutting down on budgets and improving employee productivity as well as operational efficiencies.
- The service charges were amended during the adjustment period.
- Management and Council are working vigorously to turn the situation around.



### 3.8 GOOD GOVERNANCE AND DEMOCRACY



Effective public awareness of municipal business is an important function, this is done through mayoral radio slots, external and internal newsletters and on-going advertorials in the print media. Public participation meetings continue to assist in developing implementation plans through the public participation strategy.

Emergency relief aid is done to ensure prevention and mitigation against disasters and ensure rapid and effective response in assisting vulnerable communities during incidents and disasters. To improve the quality of life within the district the community is mobilised against social impacts of HIV/Aids, informed by the impact of policies and implementation of operation Sukuma Sakhe. To preserve our history and heritage many celebrations are held to promote arts and culture, tourism and social cohesion within the District.

Compliance and good governance is crucial to ensure quality, reliable financial and management information. Intergovernmental relations is done to facilitate co-ordination within the District. Effective risk management is done to implement and maintain compliant effective and enterprise risk management. Budget and monitoring of performance against predetermined objectives is being done to ensure effective organisational performance.

### **3.8.1 PERFORMANCE HIGHLIGHTS AS PER THE ORGANISITAIONAL SCORECARD AND NATIONAL KPA**

Ref: Org: 18 - a total of 38 planned public participation meetings were held and 100% of requested meetings also took place.

Ref: Org: 19 - Council approved the iLembe District Municipality's Annual report on 30 January 2018 and the oversight report was approved on 29 March 2018.

Ref: Org: 20 - Quarterly Mayoral District forum meetings were held, as planned.

Mayoral radio slots are at 50 to date against a target of 32. One external and five internal newsletters were done. One hundred and forty one on going advertorials were in the print media and the turnaround time for media queries, is done within a 36-hour period from time of receipt.

The draft communication strategy, language policy and media engagement strategy were developed and submitted to EXCO and Council for approval in May 2018. Quarterly communication and media liaison capacitation workshops were held. An events calendar, which outlines the hosting of municipal events, was prepared and submitted to Council for approval, 54 events were held during the 2017/2018 financial year.

In terms of emergency relief aid, 85% of incidents were responded to within 48 hours of being reported. Twenty nine community awareness campaigns were held and 100% of campaigns requested were hosted. Eighteen capacity-building programmes were held. Quarterly disaster management advisory forum meetings were held. The district disaster management plan was reviewed in June 2018. Quarterly workshops were conducted to roll out the Disaster management volunteer strategy/framework.

The world Aids day event was held on 1 December 2017 and the District concept document was developed and in November 2017. Three district Aids Council meetings were held and quarterly reports were prepared and submitted to the office of the Premier. 46 HIV/Aids awareness campaigns were held.

The annual review of the gender plan was done and adopted by the gender sub-committee in June 2018, 16 programmes were implemented as per the approved plan, and all requests

were met. Implementation of Operation Sukuma Sakhe has been successful with 22 interventions hosted in all local municipalities, the main event being the OSS cabinet day where 11 wards were visited. Eleven functional district task team meetings were held. Six heritage celebration events were held.

The IDM annual report was prepared and submitted to Council and approved on the 30 January 2018. Implementation of youth programmes are on track with 7 done as per the approved youth plan, with 23 494 youth benefitting from the programmes and all requested programmes were done. IDM participated/hosted in 8 sporting events.

The Organisational Performance Management Framework was reviewed and approved by Council on 29 May 2018. The 2016 /2017 Annual Performance Report was completed and submitted to the Auditor - General by the stipulated deadline of 31 August 2017. The annual external appraisal for the 2016/2017 financial year was conducted and quarterly performance reviews. Most departments have been reporting on performance management with portfolio of evidence by the stipulated deadlines as well as resolving queries. Quarterly performance reviews are conducted between the Mayor and Municipal Manager and the Municipal Manager and Senior Managers.

Six Internal Audit reports were submitted to the Audit Committee against a target of five. The audit plan was also developed and presented to the Audit Committee for approval in October 2017. The audit action plan is in place and implementation is at 26% against the revised plan.

The entity multi-year strategic plan with clear measurable targets has been reviewed and approved by the board. A total of 11 board and sub-committee meetings were held to ensure effectiveness of the Board, two reports were prepared by the Audit Committee, submitted to the Board and the District.

Quarterly reports on progress and challenges were submitted to the Municipal Manager on the public participation, and emergency relief aid. Seven Municipal Managers district intergovernmental forum meetings were held. One special meeting also took place.

The risk management unit is on track with 4 risk registers updated quarterly, together with input by all departments and 5 ethics/risk committee meetings were held and representatives from each department were in attendance. The risk assessment process for the 2018/2019 financial year was finalised, the strategic risk assessment was held on the 16 April 2018, the

ICT risk assessment was held on the 19 April 2018 and the operational and fraud assessment was held in May 2018.

The 2017/2018 enterprise risk management registers were submitted to Council in August 2017 and to heads of departments in December 2017. The framework and strategy was reviewed and approved by EXCO in June 2018.

A risk management workshop was held for Council in March 2018, Managers were work shopped during the assessment, Risk champions and Accountants/Officers were held in June 2018. The anti-fraud and corruption strategy and policy was reviewed and approved by EXCO in June 2018. The business continuity plan is 100% implemented, a workshop has been conducted and desktop check testing was done in June 2018.

### **3.8.2 CHALLENGES AS PER THE ORGANISITAIONAL SCORECARD AND NATIONAL KPA**

Ref: Org: 21 – Only one (1) report was prepared and submitted by the Audit Committee to EXCO/Council. The target of two reports was not met due to the late appointment of the new Audit Committee; the first meeting for the new committee only took place in March 2018.

Ref: MM19 - In terms of the implementation of Internal Audit Plan, only 15 Internal Audit Assignments were completed against a target of 20 due to capacity constraints.

### **3.8.3 MEASURES TAKEN TO IMPROVE PERFORMANCE AS PER THE ORGANISITAIONAL SCORECARD AND NATIONAL KPA**

Ref: Org: 21 – The new Audit Committee has been appointed and the Accounting Officer will ensure that administration functions are effective.

Ref: MM 19 – Two assignments are at draft stage and will be finalised, 1 is awaiting management comments and once received it will be finalised and 2 will be done by KZN Treasury. The filling of vacant posts is underway.



### **3.9 KEY AREAS TO NOTE**

#### **3.9.1 IMPROVING PERFORMANCE**

In order to improve performance, the iLembe District Municipality, throughout the performance management phases, will analyse the causal and contributory reasons for poor performance, through coaching sessions from top to lower levels of the administration and appropriate response strategies will be developed. These will include, inter alia:

- Restructuring as a possible solution for an inappropriate structure;
- Process and systems improvement strategies to remedy poor systems and processes;
- Training and sourcing additional capacity where skills and capacity shortages are identified;
- Change management and diversity management education programmes to address organisational culture;
- Review of the IDP where Councillors will address shortcomings in the strategy;
- Development of appropriate departmental business plans and operational plans to guide performance in each department; and
- Where results show no chance of improvement through internal measures, alternative service delivery mechanisms are considered.

#### **3.9.2 DETERIORATING PERFORMANCE**

Poor performance in municipalities is often characterised by disclaimers and adverse opinions from the Auditor - General and community protests for inadequate service delivery. The worst measure that is taken for worst performing municipalities is the Section 139 intervention by the MEC for Local Government in the province.

The effective implementation of the performance framework and the different roles and responsibilities that will be played by different stakeholders will serve as an early warning mechanism for the iLembe District Municipality to keep ahead of performance and to effect corrective measures timeously in any of the weak functional areas identified by the performance management system.

[illegible]

EMPHASIS OF MATTER PARAGRAPHS									
No.	Audit Finding	Rating	Unit	Internal Control	Action	Assigned To	Date of Action	Action to Date	% Complete
1	Material uncertainty relating to financial stability (with reference to the net loss of R574 173 incurred in 16/17 and COGTA unspent grants not being cash-backed)	H	CFO	Inadequate daily and monthly controls for this process	1.1 Management is in the process of engagement with CoGTA to write off the unspent grants.	CFO	Ongoing until a decision is made by the funder	In progress. Following the meeting that took place on 29 November 2017, Mrs Mgutshini indicated that COGTA would send the agency a letter condoning the utilisation of the Corridor Development Grant Funds for operational costs.	85%





2	Material Impairment of R1.3 million was incurred relating to PPE for agriculture assets	H	CFO	The material impairment of tunnels was identified during a conditional assessment that was conducted at year-end. Conditional assessments of infrastructure assets are required once a year.	2.1 To conduct repairs to the tunnels to ensure they are operational.	CFO/ HOD: LED	30-Jun-18	A service provider has been appointed to repair the Mandeni & Maphumulo Tunnels. The repairs to the Mandeni Tunnels will be completed by mid-march and the repairs to Maphumulo will commence thereafter.	48%
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## COMPONENT C: REPORT OF THE AUDIT COMMITTEE TO THE COUNCIL OF ILEMBE DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2018

The iLembe District Municipality hereby present its report to the Council for the year ended 30 June 2018.

The Audit Committee and Performance Audit Committee is established in accordance with section 166 of the Municipal Finance Management Act, Act no 56 of 2003 (MFMA) and section 14(2)(c) of the Local Government Municipal Planning and Performance Regulations, 2001 (Regulations). Consideration has also been given to MFMA Circular No. 65 issued by the National Treasury in November 2012 as well as the recommendations contained in the King Report on Corporate Governance for South Africa (King IV). The Committee was appointed by Council and is required by law to report to Council in Terms of the MFMA.

### Audit Committee members and attendance at meetings.

The Audit Committee comprised of four independent, external members at the beginning of the financial year, five independent external members at the end of the financial year, and is required to meet at least 4 times per annum as per the requirements of the MFMA and the audit committee charter. The audit committee meetings that took place and members' attendance were as follows:

Name	Meetings Attended	19-08- 2017	27-11- 2017	19-03- 2018	24-05- 2018	27-06- 2018
Mr SD Mngoma (chairperson)	01	x	√			
Mr D Bosch	01	√				
Ms S Singh	02	√	√			
Mr S L Ndlovu	05	√	√	√	√	√
Mr VL Mtshali (chairperson) **	02			√	x	√
Mr S Z Hlophe**	03			√	√	√
Ms B Zulu **	03			√	√	√
Ms S Gertze**	03			√	√	√

\*\* The new audit committee members and the Chairperson were appointed in February 2018 and also serve as the Audit and Performance audit committee.

Mr SL Ndlovu was a member of the Old Committee and is also the member of the new Committee.

### Audit Committee responsibility

The Audit Committee has been set up in accordance with section 166 of the MFMA and operates within the terms of the Audit Committee Charter approved by the Municipal Council. Section 121(3)(j) of the MFMA requires that the annual report must include any recommendations of the Municipality's Audit Committee.

**In the conduct of its duties, the Audit Committee has performed the following statutory duties:**

#### 1. Reviewed internal financial control and internal audits

The internal audit function for the Municipality was performed in-house and it was operational for the reporting period and the risk-based internal audit plan for the financial year ending 30 June 2018 was approved by the Audit Committee. The Audit

Committee, at each meeting, assessed performance against the plans and reviewed the plans to ensure that critical risks relating to the operations and the findings of the Auditor-General were addressed.

The internal audit plans were substantially completed and internal audit reports were tabled at the Audit Committee meetings held during the year. The internal audit reports included recommendations to improve internal controls together with agreed management action plans to resolve the issues reported on. To further enhance the processes in place, internal audit conducted follow up audits on previously reported internal and external audit findings and reported progress to senior management and the Audit Committee. The Audit Committee was not satisfied with the progress made with the implementation of corrective action on previous audit findings.

Although there are controls in place, the Audit Committee concluded that existing systems and procedures require enhancement and continued monitoring, evaluation and implementation of remedial coherent action to address the weaknesses.

## **2. Risk Management**

The Audit Committee is responsible for oversight of the internal and external auditors as well as financial reporting. The assessment of internal controls over financial reporting is risk-based and hence the Audit Committee is responsible for overseeing management's risk policies and discussing the key risk exposures with management. The Municipality conducted risk assessment workshops during April 2018 and the Risk Management Committee discussed and accepted the risk registers which was approved by the Executive Committee (EXCO). The audit committee noted and considered the risk registers and the updated risk registers.

The Risk Management Committee has been operational for the reporting period. Enterprise Risk Management provided the Audit Committee at each of its meetings with a progress report on the risk management process and noted the minutes of the Risk Management Committee meetings held during the year.

The internal audit function provided independent assurance in relation to the management's assertions surrounding the robustness and effectiveness of risk management. Although there is room for improvement with risk identification, rating and prioritisation, the Audit Committee was satisfied with the overall risk management process.

## **3. Review of financial statements and Accounting Policies.**

The Audit Committee noted with concern that the Interim Financial Statements were not submitted timely for review and recommended that challenges that were experienced with the system be addressed. The audit committee reviewed the 2017/2018 annual financial statements and discussed, provided comments and recommendations to enhance the quality of the financial statements. Management must be complemented for submitting AFS on time to the OAG.

## **4. The adequacy, reliability and accuracy of financial reporting and information**

The audit committee noted the successful implementation of the Municipal Standard Chart of Accounts (MSCOA) and recommended that the municipality support the municipal entity. The audit committee is monitoring progress on MSCOA implementation quarterly.

## **5. Performance Management**

The Audit Committee also serves as the Performance Audit Committee for the Municipality. The legal responsibilities of the Audit Committee in this regard are set out in terms of paragraph 14 of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

The Audit Committee reviewed the four quarterly performance reports and the internal audit reports on performance management for 2017/2018 financial year based on the Municipality's approved scorecard.

The Audit Committee is pleased to note that the overall internal and external audit ratings of the effectiveness of internal controls around performance management is satisfactory and controls are in place to provide management and Council with reasonable assurance that significant risks will not materialise but there is room for improvement. In this regard the Audit Committee expressed concern with the non-achievement of certain Key Performance Indicators and related targets.

The Chairperson served on the evaluation panel in terms of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Council.

## **6. Effective Governance**

The Audit Committee fulfils an oversight role regarding the reporting process, including the system of internal financial control. The Audit Committee is satisfied that the internal and external audit function is independent and has the necessary resources, standing and authority to enable it to discharge its duties.

The Audit Committee also oversees cooperation between the internal and external auditors, and serves as a link between management and council and these functions.

The internal and external auditors have unlimited direct access to the Audit Committee, primarily through its Chairperson.

The Mayor and the Chairperson of MPAC has a standing invitation to attend audit committee meetings. The Mayor has attended two of the four audit committee meetings and Chairperson of MPAC has attended one meeting.

## **7. Compliance with Legislation**

Instances of non-compliance with laws, regulations, policies and procedures have been noted, mainly through disclosure by management and the reports submitted by internal and external audit. However, management have provided comments on the findings, indicated corrective measures and timing of the implementation thereof. In addition, compliance checklists have been developed and the Audit Committee is monitoring progress towards full compliance at its quarterly meetings.

The Audit Committee welcomes management's approach on continuous engagement with the Auditor-General in order to clarify and understand any issues that are deemed non-compliance to ensure that the actions taken going forward address these issues.

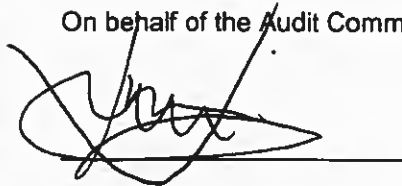
## **8. Recommendations**

- The Council should continue to ensure that financial sustainability plans are in place, monitored regularly and that adequate steps are taken to ensure that the sustainability of the municipality. In this regard the Municipality must rigorously enforce its credit control and debt collection policy and reduce water losses as a matter of urgency.
- The audit committee noted the improvement in the revenue collection rate but the unfavourable liquidity ratio is a concern and Council and management must rigorously enforce its credit control policy and debt collection. In this regard the audit committee recommends that the Municipal Manager determines whether adequate resources exists to ensure full compliance with revenue management as stipulated in section 64 of the MFMA.
- The Council and management should continuously review, evaluate and monitor internal controls with a view to implement remedial coherent action to address weaknesses. The Accounting Officers must ensure that there are consequences for non-adherence with internal controls and non-compliance with laws and regulations.
- The Accounting Officers should ensure that recommendations of internal and external audit are implemented as per the action plans and report progress on a quarterly basis. This should assist towards clean audit and prevent unauthorised, irregular, fruitless and wasteful expenditure as well as non-compliance with laws and regulations.
- Council to follow up with management to ensure that all conditional grants are fully spend at year end

## **Conclusion**

The Audit Committee confirms its commitment to assist the Council of the Municipality to achieve clean audit and clean administration. The Audit Committee also wishes to thank the Council and management for their cooperation and support as well as the teams from internal audit and the Auditor-General for their contributions.

On behalf of the Audit Committee



Mr VL Mtshali CA (SA)  
Chairperson



## **CONSUMER DEBTOR ARREARS**

As at 30 June 2018, the information for all the consumer debtors in arrears is attached as a separate annexure.

## **CONSOLIDATED AUDITED ANNUAL FINANCIAL STATEMENTS**

All consolidated audited annual financial statements are also attached as separate annexures.

**Audited Annual Financial Statements**

**for**

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**

**For the period ended 30 June**

**Province:**

**KwaZulu Natal**

**AFS rounding:**

**R (i.e. only cents)**

**Contact Information:**

**Name of Municipal Manager:** Geoffrey Kumalo

**Contact telephone number:** 032 437 9500

**Contact e-mail address:** [Geoffrey.Kumalo@ilembe.gov.za](mailto:Geoffrey.Kumalo@ilembe.gov.za)

**Chief Financial Officer:** Mahendra Chandulal

**Contact telephone number:** 032 437 9503

**Contact e-mail address:** [Mahendra.Chandulal@ilembe.gov.za](mailto:Mahendra.Chandulal@ilembe.gov.za)

**Name of contact at provincial treasury:** Nokuthula Ndlovu

**Contact telephone number:** 033 897 4376

**Contact e-mail address:** [nokuthula.chamane@kzntreasury.gov.za](mailto:nokuthula.chamane@kzntreasury.gov.za)

**Name of relevant Auditor:** Amanda Zuma

**Contact telephone number:** 033 264 7400

**Contact e-mail address:** [AmandaZ@agsa.co.za](mailto:AmandaZ@agsa.co.za)

**Name of contact at National Treasury:**

**Matsie Sehlapelo**

**Contact telephone number:** 012 315 5295

**Contact e-mail address:** [Matsie.Sehlapelo@treasury.gov.za](mailto:Matsie.Sehlapelo@treasury.gov.za)

**ILEMBE DISTRICT MUNICIPALITY**  
**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**  
For the period ended 30 June 2018

**General Information**

<b>Legal Form of Entity</b>	<b>Municipality</b>
<b>Nature of Business and Principal Activities</b>	<b>Medium Capacity, Category C, District Municipality</b>
His Worship, Councillor Siduduzo Siegsried Gumede	<b>Mayor</b>
Councillor Monitha Dolly Shandu	<b>Deputy Mayor</b>
Councillor Lucky Regionald Makhathini	<b>Speaker</b>
Councillor Sandeep Oudhram	Member of the Executive Committee
Councillor Musawenkosi Aubrey Maphumulo	Member of the Executive Committee
Councillor Aubrey Mtolo Baardman	Member of the Executive Committee
Councillor Andrew Gopaul	Member of the Executive Committee
Councillor Malcolm William Hubner	<i>Member</i>
Councillor Maureen Zola Mhlongo	<i>Member</i>
Councillor Sibongile Florence Ntuli	<i>Member</i>
Councillor Catherine Tholakele Khumalo	<i>Member</i>
Councillor Makhosini Desmond Mpofu	<i>Member</i>
Councillor Ntombenhle Cynthia Nene	<i>Member</i>
Councillor Musawenkosi Simeon Ntuli	<i>Member</i>
Councillor Madhum S Singh	<i>Member</i>
Councillor Innocent Ndumiso Vilakazi	<i>Member</i>
Councillor Muzi Emmanuel Ngidi	<i>Member</i>
Councillor Innocentia Phumelele Dube	<i>Member</i>
Councillor Radiwaath Singh	<i>Member</i>
Councillor Thandeka Sinenhlanhla Ngidi	<i>Member</i>
Councillor James Gabangani Van Whye	<i>Member</i>
Councillor Philemon Sboniso Goba	<i>Member</i>
Councillor Mamazane Veronica Shezi	<i>Member</i>
Councillor Silindile Zondi	<i>Member</i>
Councillor TS Jali	<i>Member</i>
Councillor Happiness Nonhlanhla Ngcobo	<i>Member</i>
Councillor Caroline Zama Ncalane	<i>Member</i>
Councillor Nyathikazi S.Z	<i>Member</i>
Councillor Andile Mazwi Gwala	<i>Member</i>
Councillor Malindi Virginia Mhlongo	<i>Member</i>
Councillor Gloria Nompumelelo	<i>Member</i>
Councillor David Mthokozisi	<i>Member</i>
<b>Accounting Officer</b>	<b>NG Kumalo - Municipal Manager from 01 August 2018</b>
<b>Chief Financial Officer</b>	<b>Mahendra Chandulal From 2 October 2017</b>
<b>Grading of Local Authority</b>	<b>Five</b>
<b>Auditors</b>	<b>The Auditor-General, South Africa</b>
<b>Bankers</b>	<b>First National Bank</b>

**ILEMBE DISTRICT MUNICIPALITY**  
**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**  
For the period ended 30 June 2018

**General information (continued)**

Ilembe House

**Physical address:**

Ilembe House  
59/61 Mahatma Ghandhi Street  
KWADUKUZA  
4450

**Postal address:**

P.O Box 1788  
KWADUKUZA  
4450

**Telephone number:**

032 437 9300

**Fax number:**

032 437 9584

**E-mail address:**

[admin@ilembe.gov.za](mailto:admin@ilembe.gov.za)



## **ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**

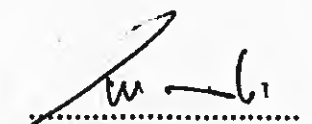
(Registration number DC 29)

Audited Consolidated Annual Financial Statements for the year ended 30 June 2018

### **Accounting Officer's Responsibilities and Approval**

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data. The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that is reasonably acceptable and above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the Municipality endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints. The Accounting Officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year 1 July 2017 to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the Municipality has access to adequate resources to continue in operational existence for the foreseeable future. The Consolidated Annual Financial Statements set out on pages 4 to 50, which have been prepared on the going concern basis, were approved by the 30<sup>th</sup> of June 2018.



.....  
**N G KOMALO**  
ACCOUNTING OFFICER

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the period ended 30 June 2018**

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**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2018**

	Note	GROUP 2018 R	IDM 2018 R	GROUP 2017	IDM 2017 R
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	3	75,813,667	70,703,174	6,295,610	5,766,622
Trade and other receivables from exchange transac	2	108,387,794	102,253,530	101,557,521	96,827,171
Trade and other receivables from non exchange tra	4	36,198,724	36,172,374	47,461,121	47,461,121
Inventories	6	8,200,327	7,917,309	13,020,058	13,020,058
<b>Total current assets</b>		<b>228,600,511</b>	<b>217,046,387</b>	<b>168,334,309</b>	<b>163,074,971</b>
<b>Non-current assets</b>					
Non-current receivables	7	453,265	453,265	20,632	20,632
Long term Investments	8	27,286,429	27,286,429	25,809,873	25,809,873
Other non-current financial assets	5	-	100	-	100
Property, plant and equipment	10	2,487,155,607	2,463,076,412	2,258,686,311	2,234,604,607
Intangible assets	12	4,914,350	4,914,349	5,327,111	5,325,083
Heritage Assets	11	205,578	205,578	205,578	205,578
Biological assets	13	391,400	-	390,000	-
<b>Total non-current assets</b>		<b>2,520,406,629</b>	<b>2,495,936,134</b>	<b>2,291,338,504</b>	<b>2,265,965,772</b>
<b>Total assets</b>		<b>2,749,007,140</b>	<b>2,712,982,521</b>	<b>2,459,672,813</b>	<b>2,429,040,744</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables from exchange transacti	14	192,602,922	190,515,888	236,269,770	234,300,058
Trade and other payables from non - exchange tra	15	16,611,222	15,779,853	6,795,975	1,200,000
Current portion of borrowings	16	7,164,483	7,164,483	5,475,551	5,475,551
Current portion of finance lease liability	17	1,054,962	1,054,962	14,124,319	14,124,319
Current portion of employee benefits	38	734,000	734,000	494,551	494,551
<b>Total current current liabilities</b>		<b>218,167,588</b>	<b>215,249,186</b>	<b>263,160,167</b>	<b>255,594,479</b>
<b>Non-current liabilities</b>					
Non-current borrowings	16	72,851,417	72,851,417	79,373,305	79,373,305
Non-current finance lease liability	17	1,957,053	1,957,053	-	-
Employee benefits	38	8,792,817	8,792,817	7,764,215	7,764,215
<b>Total non-current liabilities</b>		<b>83,601,287</b>	<b>83,601,287</b>	<b>87,137,520</b>	<b>87,137,520</b>
<b>Total liabilities</b>		<b>301,768,876</b>	<b>298,850,473</b>	<b>350,297,687</b>	<b>342,731,999</b>
<b>Net assets</b>		<b>2,447,238,265</b>	<b>2,414,132,048</b>	<b>2,109,375,126</b>	<b>2,086,308,748</b>
<b>NET ASSETS</b>					
Accumulated surplus		2,447,238,265	2,414,132,048	2,109,375,126	2,086,308,748
<b>Total net assets</b>		<b>2,447,238,265</b>	<b>2,414,132,048</b>	<b>2,109,375,126</b>	<b>2,086,308,748</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
For the period ended 30 June 2018

	Note	GROUP 2018	IDM 2018 R	GROUP 2017	IDM 2017 R
Revenue from exchange transactions		<b>180,883,229</b>	<b>163,102,745</b>	<b>176,523,963</b>	<b>167,774,228</b>
Service charges	18	130,251,315	130,251,315	136,637,461	136,637,461
Rental of facilities and equipment	19	75,763	9,676	85,244	13,244
Interest earned - external investments	20	8,359,539	8,086,492	3,107,911	2,854,791
Interest earned - outstanding receivables	21	15,452,338	15,452,338	18,997,572	18,997,572
Fines and Penalties	23.2	380,438	380,438		
Sale of produce	23.4	18,031,479	-	9,055,559	
Other income	23	8,332,358	8,922,486	8,640,216	9,271,161
Revenue from non exchange transactions		<b>809,273,726</b>	<b>808,307,400</b>	<b>762,914,830</b>	<b>762,531,580</b>
Government grants and subsidies	22	<b>809,273,726</b>	<b>808,307,400</b>	<b>762,914,830</b>	<b>762,531,580</b>
<b>Total revenue</b>		<b>990,156,955</b>	<b>971,410,145</b>	<b>939,438,792</b>	<b>930,305,808</b>
<b>Expenses</b>					
Employee related costs	24	201,322,369	186,965,671	185,749,993	173,684,174
Remuneration of councillors	25	8,405,692	8,405,692	8,020,646	8,020,646
Bad debts	2	41,676,124	41,676,124	40,241,279	40,241,279
Directors' attendance fees	25	550,856	-	563,686	-
Depreciation, impairment and amortisation exp	26	82,953,161	81,789,590	90,430,512	87,979,450
Finance costs	27	10,565,607	10,565,607	9,976,764	9,976,764
Bulk purchases	28	86,505,612	86,505,612	75,803,000	75,803,000
Contracted services	29	151,075,355	132,725,421	93,647,026	83,189,143.76
General expenses	31	95,129,783	112,879,655	103,937,280	120,962,390
<b>Total expenses</b>		<b>678,184,580</b>	<b>661,513,373</b>	<b>608,370,186</b>	<b>599,856,847</b>
Gain / (loss) on sale of assets		(390,534)	(351,989)	(823,952)	(20,314)
Forex gain/(loss)				78,247	78,247
		<b>311,581,861</b>	<b>309,544,784</b>	<b>330,322,902</b>	<b>330,506,894</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
For the period ended 30 June 2018

		GROUP Accumulated Surplus/(Deficit) and Total	IDM Accumulated Surplus/(Deficit) Total
	Note		R
Balance at 30 June 2016		1,847,386,601	1,827,293,292
Prior year adjustments - as per 2015	32	-	-
Prior year adjustments	32	(73,103,696)	(70,804,103)
Restated balance		1,774,262,905	1,756,489,189
Net gains and losses not recognised in the statement of financial performance			-
Other items		-687,256	(687,256)
Other items			-
Transfers to / from accumulated surplus/(deficit)		5,476,577	(79)
Surplus / (deficit) for the period		330,322,902	330,506,894
Balance at 30 June 2017, as previously reported		2,109,375,127	2,086,308,747
Opening Balance, 1 July 2017		2,109,375,127	2,086,308,747
Correction of prior period error	32	25,697,413	18,204,127
Prior year adjustments		-	-
Restated balance		2,135,072,540	2,104,512,874
Net gains and losses not recognised in the statement of financial performance			
Transfers to / from accumulated surplus/(deficit)		583,865	74,390
Surplus / (deficit) for the period		311,581,861	309,544,784
Balance at 30 June 2018		2,447,238,266	2,414,132,048



**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**CASH FLOW STATEMENT**  
For the period ended 30 June 2018

	Note	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
<b>Receipts</b>		<b>968,057,336</b>	<b>949,301,819</b>	<b>894,128,340</b>	<b>880,802,126</b>
Sales of goods and services		132,829,088	115,803,898	113,884,228	113,884,228
Grants		835,228,250	833,498,121	780,244,112	766,917,898
<b>Payments</b>		<b>(528,559,953)</b>	<b>(514,412,854)</b>	<b>(527,882,152)</b>	<b>(518,202,039)</b>
Employee costs		208,372,989	194,016,281	192,403,143	179,773,639
Suppliers		320,186,964	320,396,563	335,479,009	338,428,400
<b>CASH GENERATED FROM OPERATIONS</b>	33	<b>439,497,383</b>	<b>434,888,965</b>	<b>366,246,187</b>	<b>362,600,087</b>
Interest received		8,359,539	8,086,492	3,107,911	2,854,791
Interest paid		(10,565,607)	(10,565,607)	(9,976,764)	(9,976,764)
<b>Net cash flows from operating activities</b>		<b>437,291,315</b>	<b>432,409,850</b>	<b>359,377,334</b>	<b>355,478,114</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of fixed assets (PPE)		(338,766,179)	(338,466,276)	(360,554,474)	(356,957,612)
Proceeds from sale of fixed assets		-	-	198,862	198,862
Increase in investments		(1,476,557)	(1,476,557)	(1,390,163)	(1,390,163)
Purchase of intangibles		(198,800)	(196,800)	(1,884,400)	(1,884,400)
Decrease/(Increase) in Loans and receivables		-	-	-	-
<b>Net cash flows from investing activities</b>		<b>(340,439,537)</b>	<b>(340,139,634)</b>	<b>(363,630,174)</b>	<b>(360,033,312)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of borrowings		(10,020,472)	(10,020,472)	(3,665,526)	(3,665,526)
Repayment of finance lease liability		(17,313,194)	(17,313,194)	(21,928,940)	(21,928,940)
<b>Net cash flows from financing activities</b>		<b>(27,333,666)</b>	<b>(27,333,666)</b>	<b>(25,594,466)</b>	<b>(25,594,466)</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>69,518,112</b>	<b>64,936,551</b>	<b>(29,847,306)</b>	<b>(30,149,663)</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>6,295,610</b>	<b>5,766,623</b>	<b>36,142,916</b>	<b>35,916,286</b>
<b>Net cash and cash equivalents at end of period</b>	34	<b>75,813,722</b>	<b>70,703,174</b>	<b>6,295,610</b>	<b>5,766,623</b>

**ILEMBE DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
For the period ended 30 June 2018

Description	Original Budget	Budget Adjustments (l.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By- law)	Final Budget	Actual Income/ Expenditure	Variance	% Variance	Explanation of variances
	1 R	2 R	3 R	4 R	5 R	7 R	8	9
Service Charges	159,035,904	-28,084,791		130,951,113	130,251,315	-699,798	-1%	Accept the variance as immaterial
Investment Revenue	1,943,831	7,691,080	0	9,634,912	8,359,539	-1,275,373	-13%	Variance attributable to higher budget compared to actual interest earned, mostly due to low cash balance.
Transfers Recognised - Operational	441,250,000	19,000,055	0	460,250,055	568,240,753	107,990,698	23%	The variance is attributable to the conditions met on conditional grants relating to capex arising from prior years.
Other Own Revenue	43,603,738	10,019,501	0	53,623,238	42,272,375	-11,350,863	-21%	The variance is attributable to low interest raised on outstanding debtors.
Total Revenue (Excluding Capital Transfers)	645,833,473	8,625,845	0	654,459,318	749,123,982	94,664,664		
Employee Costs	204,889,225	-612,768		204,276,457	201,322,369	-2,954,088	-1%	Accept the variance as immaterial
Remuneration Of Councilors	11,809,498	-2,293,503	0	9,515,995	8,956,548	-559,447	-6%	Accept the variance as immaterial
Debt Impairment	44,232,410	0		44,232,410	41,676,124	-2,556,285	-6%	Accept the variance as immaterial
Depreciation & Asset Impairment	76,970,325	311,000		77,281,325	82,953,161	5,671,836	7%	Accept the variance as immaterial
Finance Charges	10,906,303	-1,444,506		9,461,797	10,565,607	1,103,809	12%	Accept the variance as immaterial
Bulk Purchases	84,465,519	-3,965,519		80,500,000	86,505,612	6,005,612	7%	Accept the variance as immaterial
Contracted Services	69,348,893	17,042,593		86,391,486	151,075,355	64,683,870	75%	Variance attributable to various items, the item for security due to escalations compared to the allowed budget. The distribution of water through water tankers.
Other Expenditures	139,324,619	2,016,337		141,340,956	95,129,783	-46,211,173	-33%	The variance is attributable to various items including electricity, consumables stock, etc.
Total Expenditure	641,946,793	11,053,633	0	653,000,426	678,184,560	25,184,134		
Surplus/(Deficit)	3,886,681	-2,427,788	0	1,458,892	70,939,422	69,480,530		

Description	Original Budget	Budget Adjustments (i.e. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Final Budget	Actual Income/Expenditure	Variance	% Variance	Explanation of variances
Transfers Recognised - Capital	392,626,000	-18,000,000	0	374,626,000	241,032,973	-133,593,027	-36%	Implementation of projects originally planned for 2016/17 financial year and which is within the 2016/17 MTREF approved budget.
Contributions Recognised - Capital & Contributed Assets		0	0	0	0	0		
Surplus/(Deficit) After Capital Transfers & Contributions	396,512,681	-20,427,798	0	376,084,892	311,372,395	-64,112,497		
Profit/(Loss)					-390,534			
Surplus/(Deficit For The Year	396,512,681	-20,427,798	0	376,084,892	311,581,861	-64,112,497		
Capital Expenditure & Funds Sources								
Capital Expenditure	343,970,175	-15,350,875	0	328,619,300	301,161,252	-27,458,048	-8%	Accept variance as immaterial
Transfers Recognised - Capital								The under-spending is attributable to implementation of the austerity measures.
Internally Generated Funds	10,750,000	-2,066,123	0	8,683,877	4,995,848	-3,688,029	-42%	
Total Sources Of Capital Funds	354,720,175	-17,416,998	0	337,303,177	306,157,100	-31,146,077		

**ILEMBE DISTRICT MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
For the period ended 30 June 2019

**1 BASIS OF PREPARATION**

**1.1 STATEMENT OF COMPLIANCE**

These annual financial statements have been prepared in accordance with the effective South African Standards of Generally Recognised Accounting Practice (GRAP), as approved by the Minister of Finance, including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 BASIS OF MEASUREMENT**

The annual financial statements have been prepared on the accrual basis except for the following material item in the statement of financial position:

the defined benefit liability is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

**1.3 FUNCTIONAL AND PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

**1.4 OFFSETTING**

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

**1.5 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.6 USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts assets and liabilities, income, expenses and other reports. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future.

**Post-Retirement Benefits and Multi-Employer Retirement Benefit Plans**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The Municipality determines the appropriate discount rate at the end of each year using the actuarial valuation. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Municipality considers the interest rates that best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumption for pension obligation are based on current market conditions. Additional information is disclosed in notes. The Municipality contributes to Natal Joint Super Annuitant and Retirement Funds which are Defined Benefit Funds. The Municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of financial statement are compiled for each fund not per employer. Further details of this plan is included in the notes to the Financial Statements.

**Provision for impairment of trade receivables**

The provision for impairment is measured as the difference between the assets' carrying amount and the present value of estimated recoverable future cash flow based on past recovery trends.

**Non-cash generating and cash generating impairment testing**

Management used the fair value less cost to sell to determine the recoverable amount of assets with an indefinite useful life and identifying assets that may have been impaired. Additional disclosure of these estimates is included in note – Impairment of assets.

All assets owned/recognised by the municipality are held for the provision of basic service and are considered to be non-cash generated assets.

**Provision**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provision are included in notes to Financial Statements.

Provision are measured at the head of department's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

**A provision is recognised when:**

The municipality has a present obligation (legal or constructive) as a result of a past event;

It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

A reliable estimate can be made of the obligation.

## 1.7 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The municipality shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis. All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget. The municipality shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget (refer note 1 10).

## 1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The effective dates are currently unknown.

GRAP 18 Segment Reporting  
GRAP 20 Related Party Disclosures  
GRAP 32 Service Concession Arrangements (Grantor)  
GRAP 34 Separate Financial  
GRAP 35 Investments in Associates  
GRAP 37 Joint Arrangements  
GRAP 38 Disclosure of Interest in other Entities  
GRAP 108 Statutory Debtors  
GRAP 109 Standard of GRAP on Accounting by Principals  
GRAP 110 Living and Non Living Resources

## 1.9 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

The Minister has determined the following GRAP standards as approved effective:

GRAP 1 Presentation of Financial Statements  
GRAP 2 Cash Flow Statements  
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors  
GRAP 4 The Effects of Changes in Foreign Exchange Rates  
GRAP 5 Borrowing Costs  
GRAP 6 Consolidated and Separate Financial Statements  
GRAP 7 Investments in Associates  
GRAP 8 Interest in Joint Ventures  
GRAP 9 Revenue from Exchange Transactions  
GRAP 10 Financial Reporting in Hyperinflationary Economies  
GRAP 11 Construction Contracts  
GRAP 12 Inventories  
GRAP 13 Leases  
GRAP 14 Events After the Reporting Date  
GRAP 16 Investment Property  
GRAP 17 Property Plant and Equipment  
GRAP 18 Segment Reporting  
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets  
GRAP 21 Impairment of Non-cash-generating Assets  
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)  
GRAP 24 Presentation of Budget Information in Financial Statements  
GRAP 25 Employee Benefits  
GRAP 26 Impairment of Cash-generating assets  
GRAP 27 Agriculture  
GRAP 31 Intangible Assets  
GRAP 100 Discontinued Operations  
GRAP 103 Heritage Assets  
GRAP 104 Financial Instruments  
GRAP 105 - Transfer of Functions Between Entities Under Common Control  
GRAP 108 Transfer of Functions Between Entities Not Under Common Control  
GRAP 107 Mergers

Interpretations of the standard of GRAP Approved and effective  
IGRAP1 Applying The Probability Test On Initial Recognition Of Revenue  
IGRAP2 Changes in Existing Decommissioning Restoration and Similar Liabilities  
IGRAP3 Determining Whether an Arrangement Contains a Lease  
IGRAP 4 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds  
IGRAP5 Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies  
IGRAP6 Loyalty Programmes  
IGRAP7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction  
IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions  
IGRAP 9 Distributions of Non-cash Assets to Owners  
IGRAP10 Assets Received from Customers  
IGRAP11 Consolidation - Special Purpose Entities  
IGRAP12 Jointly Controlled Entities - Non-Monetary Contributions  
IGRAP13 Operating Leases - Incentives  
IGRAP14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease  
IGRAP15 Revenue - Barter Transactions Involving Advertising Services  
IGRAP16 Intangible Assets - Website Costs

Interpretations of the standard of GRAP Approved and not yet effective

IGRAP17 Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

IGRAP18 Interpretation of the Standard of GRAP on Recognition and Derecognition of Land  
IGRAP19 Liabilities to Pay Levies



## 1.10 PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

The budget is mainly approved on a cash basis by functional classification. The approved budget covers the period from 1 July 2016 to 30 June 2017. The budget and accounting bases for some votes differ. The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance. The financial statements differ from the budget, which is approved on the cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. The amounts of these adjustments are identified in note 41. A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts in the cash flow statement for the period ended 30 June 2017 is presented in note 41. The financial statements and budget documents are prepared for the same period. There is a basis difference: the budget is mainly prepared on a cash basis and the financial statements on the accrual basis. The reconciliation as required by GRAP 24 is also shown in note 41. The statement of comparison of budget and actual amounts is disclosed as a statement in the annual financial statements.

Differences between budget and actual amounts are regarded as material when a more than 10% variance exists.

All material differences are explained in the notes to the annual financial statements.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies had been applied consistently during the current and previous reporting period, as set out in note 1.2.

### 2.1 PROPERTY, PLANT AND EQUIPMENT

#### 2.1.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### 2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### 2.1.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 160. Non-current assets held for sale and discontinued operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Heritage assets and land are not depreciated.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the municipality will obtain ownership by the end of the lease term.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	Years	Other	Years
Water	10 - 60	Machinery and equipment	3 - 20
Sewerage	10 - 60	Furniture and equipment	3 - 50
Other	10 - 50	Motor vehicles	4 - 20

An entity shall assess at each reporting date whether there is an indication that the entity's expectations about the residual value and useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. No longer a requirement to review residual values and useful lives each year.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance - refer to note 19 for further information on impairment of assets.

#### 2.1.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 2.1.5 LEASED ASSETS

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

### 3 INTANGIBLE ASSETS

#### 3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### 3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### 3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software and websites      2 - 5 Years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date - refer to note 19 for further information on impairment of assets. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### 3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 4 HERITAGE ASSETS

#### 4.1 INITIAL RECOGNITION AND MEASUREMENT

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as unalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

Heritage assets are recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

If the municipality holds an asset that might be regarded as a heritage asset, but on initial recognition, the asset does not meet the above recognition criteria because it cannot be measured reliably, relevant and useful information about the heritage asset is disclosed in the notes to the financial statements.

On the date of initial recognition, heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, the cost is its fair value as at the date of acquisition.

#### 4.2 SUBSEQUENT MEASUREMENT - COST MODEL

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

#### 4.3 DEPRECIATION & IMPAIRMENT

Heritage assets are not depreciated. The municipality assesses at each reporting date whether there is any indication that a heritage asset may be impaired - refer to note 18 for further information on impairment of assets.

In assessing whether there is an indication that an asset may be impaired, the municipality considers, as a minimum, the following indications:

##### 4.3.1 External sources of information

- (a) During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- (b) The absence of an active market for a revolved heritage asset.

##### 4.3.2 Internal sources of information

- (a) Evidence is available of physical damage or deterioration of a heritage asset.
- (b) A decision to halt the construction of the heritage asset before it is complete or in a usable form.

#### 4.4 DERECOGNITION

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

**5.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**5.2 SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

**5.3 WATER INVENTORY**

Water inventory represents water housed in reservoirs within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value. In the absence of a market that trades in water outside of local government, the fair value utilised to quantify water inventory is based on the unit reference value. The unit reference value is a determined by a formula that is utilised in the engineering department to calculate the development cost of new water resources.

Readings of water levels are taken at year-end, which is quantified at the above fair value.

Water and purified effluent are measured at the lowest of purified cost and net realisable value insofar as it is stored and controlled in reservoirs at year-end.

**6 INVESTMENTS IN CONTROLLED ENTITIES**

In the municipality's separate annual financial statements, investments in controlled entities are measured at cost.

**7 FINANCIAL INSTRUMENTS****7.1 INITIAL RECOGNITION**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or residual interest of another entity. A financial asset is cash.

A financial liability is any liability that is a contractual obligation to:

deliver cash or another financial asset to another entity; or  
exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions. Financial assets are recognised using trade date accounting.

**7.2 INITIAL MEASUREMENT**

Financial instruments are initially measured at fair value plus transaction costs for financial instruments at amortised cost or cost. Fair value is usually the transaction cost at the date of recognition. For financial instruments at amortised cost, if the transaction cost is not market related (i.e. no interest is charged for deferred payments or when the account is overdue, or interest charged is at below-market related rate), the municipality determines the fair value. The fair value is the present value of the expected future cash flows, without taking into account any future losses or the possibility of default, discounted using a market related interest rate, adjusted for credit risk over the expected life of the financial instrument. For financial instruments at fair value, the fair value is determined based on quoted prices in an active market. If there is no active market, it is determined using valuation techniques. For financial instruments at cost, the financial instrument is only measured at cost if the fair value can not be measured reliably. Where a financial instrument contains both a liability and a residual interest component, the municipality allocates the instrument into its component parts. The municipality recognises the liability at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its components.

**7.3 SUBSEQUENT MEASUREMENT**

Financial assets and liabilities are subsequently measured either at fair value, or amortised cost or cost using the following categories:

- (a) Financial instruments at fair value
- (b) Financial instruments at amortised cost
- (c) Financial instruments at cost

**7.3.1 FINANCIAL INSTRUMENTS AT FAIR VALUE**

Financial instruments at fair value comprise financial assets or financial liabilities that are derivatives, combined instruments that are designated at fair value, instruments held for trading, financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost and non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition. Financial instruments at fair value are subsequently measured at fair value with changes in fair value recognised in surplus or deficit.

**7.3.2 FINANCIAL INSTRUMENTS AT AMORTISED COST**

Financial instruments at amortised cost, are non-derivative financial assets or financial liabilities that have fixed or determinable payments, excluding those the municipality designates at fair value at initial recognition or are held for trading. Financial instruments at amortised cost are subsequently measured at amortised cost using effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated cash flows associated with the financial instrument through the expected life of the instrument (or in some cases a shorter period) to the net carrying amount at initial recognition. Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

**7.3.3 FINANCIAL INSTRUMENTS AT COST**

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Financial instruments at cost are subsequently measured at cost if the fair value cannot be reliably determined.

Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

**7.4 RECLASSIFICATIONS**

The municipality does not reclassify a financial instrument when it is issued or held, except for a combined instrument that is required to be measured at fair value or an investment in residual interest subject to certain requirements.

**7.5 GAINS AND LOSSES**

Gains and losses on fair value measurements, reclassifications, impairment, derecognition are recognised in surplus or deficit.

## 7.8 IMPAIRMENT AND UNCOLLECTABILITY OF FINANCIAL ASSETS

Financial assets are subject to annual impairment review as follows.

### 7.8.1 FINANCIAL ASSETS AT AMORTISED COST

For financial assets at amortised cost, the municipality assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset, (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The impairment loss is recognised in surplus or deficit by reducing the carrying amount either directly or through the use of an allowance account. If, in a period after an impairment loss has been recognised, events occur or circumstances change that indicate that the impairment loss recognised in a previous period should be reversed, the municipality reverses the impairment loss previously recognised either directly or by adjusting an allowance account.

### 7.8.2 FINANCIAL ASSETS AT COST

For financial assets at cost, the municipality assesses whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for similar financial assets. The impairment loss is recognised in surplus or deficit by reducing the carrying amount directly. The impairment loss is never reversed in subsequent periods.

## 7.7 DERECOGNITION

### 7.7.1 FINANCIAL ASSETS

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when:

- (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- (b) the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality shall:
  - (i) derecognise the asset; and
  - (ii) recognise separately any rights and obligations created or retained in the transfer.

### 7.7.2 FINANCIAL LIABILITIES

The municipality removes a financial liability from its statement of financial position when, and only, it is extinguished. A financial liability is extinguished when the debtor either:

- (a) Discharges the liability by paying the creditor, normally with cash, other financial liabilities, goods or services;
- (b) is legally released from primary responsibility for the liability either by process (express) of law or by the creditor (cancelled). If the debtor has given a guarantee, this condition may still be met;
- (c) Waives the debt or it is assumed by another municipality by way of a non-exchange transaction. Interest, dividends or similar distributions, losses and gains relating to a financial instrument or a component that is a financial liability should be recognised as revenue or expense in surplus or deficit. A financial asset and a financial liability should be offset and the net amount presented in the statement of financial position when and where the municipality:
  - (i) Currently has a legally enforceable right to set off the recognised amounts; and
  - (ii) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 8 FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-for-sale financial instruments, which are recognised in net assets.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

## 9 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is defined in section 1 of the MFMA as follows:

"unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act.

### 9.1 IDENTIFICATION AND INTERNAL REPORTING

Unauthorised expenditure is identified through the municipality's financial system application controls. On identification of the unauthorised expenditure due to overspending on specific votes, the relevant Head of department is notified, where funds are available on other votes within the directorate, virements are made within the provisions of the virement policy. If after the provisions of the virement policy are applied, the unauthorised expenditure still remains/exists, it is recorded in the unauthorised expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

### 9.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Unauthorised expenditure that is incurred before the adjustment budget process is finalised is condoned by council through the adjustment budget. Unauthorised expenditure that is incurred after the adjustment budget is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the unauthorised expenditure as irrecoverable and write-off, the unauthorised expenditure is disclosed in the notes to the financial statements as condoned by council. Where MPAC determines after investigation, that the unauthorised expenditure must be recovered from the relevant official, the unauthorised expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the unauthorised expenditure note as unauthorised expenditure incurred in the current financial year.

### 9.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor-General, in writing, of:

- (a) Any unauthorised expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such unauthorised expenditure; and
- (c) The steps that have been taken:
  - (i) To recover or rectify such expenditure; and
  - (ii) To prevent a recurrence of such expenditure.

## 10 IRREGULAR EXPENDITURE

Irregular expenditure is defined in section 1 of the MFMA as follows:

"irregular expenditure", in relation to a municipality or municipal entity, means—

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 17(2);
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

#### 10.1 IDENTIFICATION AND INTERNAL REPORTING

Every expenditure item is reviewed before payment is made to identify any instances of non-compliance with the relevant Acts and supply chain management policy of the municipality. Where an expenditure item is identified as irregular expenditure, it is recorded in the irregular expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

#### 10.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Irregular expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the irregular expenditure as irrecoverable and write - off, the irregular expenditure is disclosed in the notes to the financial statements as certified and written-off by council as irrecoverable. Where MPAC determines after investigation, that the irregular expenditure must be recovered from the relevant official, the irregular expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the irregular expenditure note as irregular expenditure incurred in the current financial year.

#### 10.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any irregular expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such irregular expenditure, and
- (c) The steps that have been taken:
  - (i) To recover or rectify such expenditure; and
  - (ii) To prevent a recurrence of such expenditure

#### 11 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as follows:

"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

#### 11.1 IDENTIFICATION AND INTERNAL REPORTING

Every expenditure item is reviewed before payment is made to identify whether it meets the definition of fruitless and wasteful expenditure. Where an expenditure item is identified as fruitless and wasteful expenditure, it is recorded in the fruitless and wasteful expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

#### 11.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

Fruitless and wasteful expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the fruitless and wasteful expenditure as irrecoverable and write - off, the fruitless and wasteful expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the fruitless and wasteful expenditure must be recovered from the relevant official, the fruitless and wasteful expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the fruitless and wasteful expenditure note as fruitless and wasteful expenditure incurred in the current financial year.

#### 11.3 EXTERNAL REPORTING

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any irregular expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such fruitless and wasteful expenditure, and
- (c) The steps that have been taken:
  - (i) To recover or rectify such expenditure; and
  - (ii) To prevent a recurrence of such expenditure

#### 12 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - (i) The business or part of the business to be restructured;
  - (ii) The reasons for the restructuring;
  - (iii) The expected costs and benefits of the restructuring;
  - (iv) The expected timing of the restructuring;
  - (v) The expected impact of the restructuring on the municipality's operations and financial position;
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

#### 13 LEASES

##### 13.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.



### 13.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.  
The tariff in respect of sewerage is based on the value of consumption used from one point of meter supply.

## 14 REVENUE

### 14.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Further adjustments are made to take into account staggered tariffs where applicable. The estimates of consumption between meter readings are based on 6 months average reading history.

Service charges from sewerage and sanitation are based on the value of consumption used from one point of meter supply and this is set out in the tariffs of charges approved by Council.

Revenue from the sale of water prepaid meter cards is recognised based on consumption except where a reliable estimate cannot be made after every reasonable effort to gather appropriate information had been made. In these instances, revenue is recognised at the point of sale.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### 14.2 REVENUE FROM NON - EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions are transactions where the municipality receives revenue and provide no or a nominal consideration directly in return.

A transaction can be a combination of exchange and non-exchange transactions. In these instances the municipality determines what portion of the transaction is an exchange transaction and what portion is a non-exchange transaction and then recognise it separately.

Most non-exchange transactions that the municipality enters into involve stipulations on transferred assets are in terms in laws or regulations, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality. Stipulations can either be in the form of conditions or in the form of restrictions. For both conditions and restrictions the municipality may be required to use the transferred asset for a particular purpose. The municipality uses substance over form to determine whether a stipulation is a condition or restriction.

### 14.3 RECOGNITION

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognised as an asset when all of the following criteria have been satisfied.

- (a) When the resource is controlled by the entity as a result of a past event;
- (b) It is probable that the future economic benefits or service potential associated with the resource will flow to the municipality; and
- (c) The fair value of the resource can be measured reliably.

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow (which is the case when a stipulation is a condition).

Liabilities are recognised for conditions to be met which is attached to the transferred asset. The liability is discharged and revenue recognised as the conditions are satisfied.

The municipality does not recognise service in-kind.

The municipality recognises revenue from vat refunds on cash basis.

### 14.4 MEASUREMENT

Non-monetary assets such as property, plant and equipment, investment property and inventory, acquired through a non-exchange transaction, are initially measured at its fair value on acquisition date.

Monetary assets arising out of a contractual agreement, such as cash and receivables, are initially measured at fair value on acquisition date.  
Revenue is measured at the amount equal to the increase in net assets (i.e. the net effect).

The amount recognised as a liability is the best estimate of the amount required to settle the present obligation at the reporting date.  
Revenue from vat refunds is measured at gross amounts.

## 15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

## 16 EMPLOYEES BENEFITS

### 16.1 SHORT-TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

## 16.2 POST-EMPLOYMENT BENEFITS

### 16.2.1 DEFINED CONTRIBUTION PLANS

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after end of the period in which the employees render the related service, they are discounted using a risk-free rate determined by reference to market yields at the reporting date on government bonds, or by reference to market yields on high quality corporate bonds. The municipality contributes to various national and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

### 16.2.2 DEFINED BENEFIT PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It defines an amount of benefit that an employee will receive on retirement. The municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine its present value. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the municipality. An economic benefit is available to the municipality if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. The expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in surplus or deficit on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in surplus or deficit.

The municipality immediately recognises all actuarial gains and losses arising from defined benefit plans directly in net assets.

### 16.2.3 OTHER LONG-TERM BENEFITS PLANS

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

### 16.2.4 TERMINATION BENEFITS

Termination benefits are recognised as an expense when the municipality is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the municipality has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

## 17 VALUE ADDED TAX (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis.

## 18 IMPAIRMENT OF ASSETS

Primary objective for cash-generating assets is to generate a commercial return and the primary objective for non-cash-generating asset is service delivery. The municipality uses the following sets of questions as a criteria to distinguish between cash-generating and non-cash-generating assets:

- (a) Was the asset acquired to generate a commercial return?
- (b) Does the asset operate independently from other assets?
- (c) Does the asset generate cash flows independently from other assets?

If the answer is yes to all of these questions, then the municipality accounts for the asset as a cash-generating asset. If the above criteria is not met, the municipality accounts for the asset as non-cash-generating asset.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a non-cash-generating unit is the higher of its fair value less costs to sell and its value in use. The recoverable carrying amount is higher of its fair value less cost to sell and its value in use.

Value in use of a cash-generating asset is determined as the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. Value in use of a non-cash-generating asset is determined as the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2018**

<b>TRADE AND OTHER RECEIVABLES</b>				
<b>2 FROM EXCHANGE TRANSACTIONS</b>	<b>Gross Balances</b>	<b>Provision for</b>	<b>Net Balance</b>	<b>IDM Total</b>
	<b>R</b>	<b>Bad debts</b>		
<u>Trade receivables</u>				
As at 30 June 2018				
Service debtors				
Water and Sewerage	273,390,840	186,482,910	86,907,930	86,907,930
Direct Deposits	(2,010,795)	-	(2,010,795)	(2,010,795)
<b>Total</b>	<b>271,380,045</b>	<b>186,482,910</b>	<b>84,897,135</b>	<b>84,897,135</b>
<u>Other Receivables</u>				
Umgenti water debtor	-	-	-	-
Department of Education	5,325,361	-	5,325,361	-
Accrued interest	749,373	-	749,373	749,373
Iembe Enterprise	-	-	-	-
Outstanding deposits	2,073,133	-	2,073,133	2,073,133
Sundry Debtors	10,917,102	-	10,917,102	10,616,172
Other debtors	3,917,717	-	3,917,717	3,917,717
RD Cheques	-	-	-	-
Sundry Debtors - F/W Expenditure	76,804	76,804	-	-
Acknowledgement of debt	-	-	-	-
Vat receivable	507,974	-	507,973	-
<b>Total other Receivables</b>	<b>23,567,464</b>	<b>76,804</b>	<b>23,490,659</b>	<b>17,356,395</b>
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.				
<b>Total Trade and other receivables</b>	<b>294,947,509</b>	<b>186,559,714</b>	<b>108,387,794</b>	<b>102,253,530</b>

As at 30 June  
Service debtors

Water and Sewerage	229,180,297	144,325,200	84,855,096	84,855,096
Direct Deposits	(875,772)	-	(875,772)	(875,772)
<b>Total</b>	<b>228,304,525</b>	<b>144,325,200</b>	<b>83,979,325</b>	<b>83,979,325</b>

<u>Other receivables</u>				
Umgenti water debtor	67,122	-	67,122	67,122
Department of Education	4,271,492	-	4,271,492	-
Accrued interest	291	-	291	291
Outstanding deposits	868,962	-	868,962	868,962
Sundry Debtors	4,151,851	-	4,151,851	4,151,851
RD Cheques	-	-	-	-
Sundry Debtors - F/W Expenditure	538,879	533,864	5,015	5,015
Other debtors	6,557,766	-	6,557,756	6,446,558
Acknowledgement Of Debts	209,513	-	209,513	209,513
Vat receivable	1,446,195	-	1,446,195	1,098,535
<b>Other receivables</b>	<b>18,112,060</b>	<b>533,864</b>	<b>17,578,196</b>	<b>12,847,846</b>

<b>Total Trade and other receivables</b>	<b>246,416,585</b>	<b>144,859,064</b>	<b>101,557,521</b>	<b>96,827,171</b>
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<u>Summary of Debtors by Customer Class</u>	<b>Residential</b>	<b>Industrial/Comm ercial</b>	<b>National and Provincial Government</b>
	<b>R</b>	<b>R</b>	<b>R</b>
As at 30 June 2018			
Current (0 - 30 days)	8,347,904	1,972,255	2,379,166
31 - 60 Days	17,169,276	481,361	1,319,814
61 - 90 Days	10,128,801	188,552	1,030,288
91 - 120 Days	6,401,878	137,460	725,134
121 - 365 Days	13,584,214	98,812	502,944
+ 365 Days	192,084,913	1,459,353	15,358,717
<b>Sub-total</b>	<b>247,736,987</b>	<b>4,337,792</b>	<b>21,316,061</b>
Less: Provision for doubtful debts	(186,482,910)	-	-
<b>Total debtors by customer classification</b>	<b>61,254,077</b>	<b>4,337,792</b>	<b>21,316,061</b>

At 30 June 2017			
Current (0 - 30 days)	6,657,275	1,809,961	2,372,573
31 - 60 Days	6,485,981	520,036	927,292
61 - 90 Days	6,253,168	269,574	773,444
91 - 120 Days	6,087,848	211,925	320,826
121 - 365 Days	6,185,592	190,011	543,909
+ 365 Days	190,180,557	3,078,484	17,969,308
<b>Sub-total</b>	<b>221,850,420</b>	<b>6,079,990</b>	<b>23,107,352</b>
Less: Provision for doubtful debts	(144,325,200)	-	-
<b>Total debtors by customer classification</b>	<b>77,525,220</b>	<b>6,079,990</b>	<b>23,107,352</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 30 June 2018

	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
<b>Water and Sewerage: Ageing</b>				
Current (0 - 30 days)	12,699,325	12,699,325	10,839,809	10,839,809
31 - 60 Days	18,990,450	18,990,450	7,933,309	7,933,309
61 - 90 Days	11,347,639	11,347,639	7,296,186	7,296,186
91 - 120 Days	7,264,472	7,264,472	6,820,599	6,820,599
121 - 365 Days	14,185,970	14,185,970	6,919,511	6,919,511
+ 365 Days	208,902,984	208,902,984	189,370,883	189,370,883
<b>Total</b>	<b>273,390,849</b>	<b>273,390,849</b>	<b>229,180,297</b>	<b>229,180,297</b>

**Reconciliation of the doubtful debt provision**

Balance at beginning of the year	144,859,064	144,859,064	132,337,373	132,337,373
Contributions to provision	41,676,124	41,676,124	40,241,279	40,241,279
Bad debts recovered/ Consumer Accounts Adjustments	3,039,733	3,039,733	(1,242,920)	(1,242,920)
Doubtful debts written off against provision	(3,015,207)	(3,015,207)	(26,476,668)	(26,476,668)
Waiver of Debt (Mandent) applied against the provision	-	-	-	-
<b>Balance at end of year</b>	<b>186,559,714</b>	<b>186,559,714</b>	<b>144,859,064</b>	<b>144,859,064</b>

**3 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Petty cash and cash on hand	44,870	44,000	44,344	44,000
Credit Card	-	-	8,640	-
Bank statement balance	75,768,796.60	70,659,174.18	6,242,626	5,722,622
	<b>75,813,667</b>	<b>70,703,174</b>	<b>6,295,610</b>	<b>5,766,622</b>

The Municipality has the following bank accounts: -

**Water Bank Account**

*ABSA Bank Account - Durban Branch*  
*Account Number 4057878321 - Current Account*

Cash book balance at beginning of year	24,088	24,088	24,088	(167,655)
Cash book balance at end of year	24,088	24,088	24,088	24,088
Bank statement balance at beginning of year	856,768	856,768	856,768	665,025
Bank statement balance at end of year	1,963,162	1,963,162	856,768	856,768

**Salaries Bank Account**

*First National Bank - Durban Branch*  
*Account Number 62006302385 - Current Account*

Cash book balance at beginning of year	(1,847,678)	(1,847,678)	46,022	46,022
Cash book balance at end of year	1,553,521	1,553,521	(1,847,678)	(1,847,678)
Bank statement balance at beginning of year	32,506	32,506	46,022	46,022
Bank statement balance at end of year	1,572,176	1,572,176	32,506	32,506

**Main Bank Account**

*First National Bank Account - Durban Branch*  
*Account Number 50851211546 - Current Account*

Cash book balance at beginning of year	1,506,472	1,506,472	(861,487)	(861,487)
Cash book balance at end of year	20,746,862	20,746,862	1,506,472	1,506,472
Bank statement balance at beginning of year	1,523,674	1,523,674	10,082	10,082
Bank statement balance at end of year	20,759,130	20,759,130	1,523,674	1,523,674

**Revenue Bank Account**

*First National Bank - Durban Branch*  
*Account Number 62403366722 - Current Account*

Cash book balance at beginning of year	1,243,347	1,243,347	2,459,601	2,459,601
Cash book balance at end of year	14,966,407	14,966,407	1,243,347	1,243,347
Bank statement balance at beginning of year	414,843	414,843	912,060	912,060
Bank statement balance at end of year	12,863,561	12,863,561	414,843	414,843

**Projects Bank Account**

*First National Bank - Durban Branch*  
*Account Number 62046718641 - Current Account*

Cash book balance at beginning of year	91	91	212,664	212,664
Cash book balance at end of year	70,437	70,437	91	91
Bank statement balance at beginning of year	51	51	34,002,174	34,002,174
Bank statement balance at end of year	95,908	95,908	51	51
Inter Bank Transfers	-	-	881,679	881,679

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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	<b>GROUP 2018 R</b>	<b>IDM 2018 R</b>	<b>GROUP 2017 R</b>	<b>IDM 2017 R</b>
<b>Enterprise Ilembe Rocablox - Trust Bank Account</b>				
<i>First National Bank Account - Kloof Branch Account Number 62347813471 - Current Account</i>				
Cash book balance at beginning of year	205,219		205,998	-
Cash book balance at end of year	205,218		205,219	-
Bank statement balance at beginning of year	205,219		205,998	-
Bank statement balance at end of year	205,218		205,219	-
 <b>Enterprise Ilembe FNB Main Account - Stanger Branch</b>				
<i>First National Bank Account - Account Number 62347899272: Current Account</i>				
Cash book balance at beginning of year	308,223		20 187	+
Cash book balance at end of year	91		308,223	-
Bank statement balance at beginning of year	308,223		20 187	+
Bank statement balance at end of year	91		308,223	-
 <b>11.24 First National Bank Account - Business Investment Desk Branch</b>				
<i>Account Number 62602914138 - Call Account</i>				
Cash book balance at beginning of year	6,563		-	
Cash book balance at end of year	16111.41		6,563	
Bank statement balance at beginning of year	6,563		-	
Bank statement balance at end of year	16111.41		6,563	
 <b>Investment Current Account</b>				
<i>ABSA Bank Account - Durban Branch Account Number 8114541258 : Call Account</i>				
Bank statement balance at the beginning of the year	1 134	1 134	1 180	1 180
Bank statement balance at the end of the year	831	831	1 134	1 134
 <b>Investment Current Account</b>				
<i>FNB Bank Call Account - Business Nstd : Call account</i>				
Bank statement balance at the beginning of the year	-	-	-	-
Bank statement balance at the end of the year	6 362 957	6 362 957	-	-
 <b>Investment Current Account</b>				
<i>ABSA Bank Account - Durban Branch Account Number 9095950633 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	28	26
Bank statement balance at the end of the year	-	-	-	-
 <b>Investment Current Account</b>				
<i>FNB Call Account - Account Number 61085067093 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	-	-
Bank statement balance at the end of the year	9 996 661	9 996 661	-	-
 <b>Investment Current Account</b>				
<i>First National Bank Account - Durban Branch Account Number 61085067093 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	19	19
Bank statement balance at the end of the year	-	-	-	-



ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
NOTES TO THE FINANCIAL STATEMENTS  
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	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
<b><u>Investment Current Account</u></b>				
<i>First National Bank Account - Durban Branch</i>				
<i>Account Number 62758088746 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	-	-
Bank statement balance at the end of the year	14 857 081	14 857 081	-	-
<b><u>Investment Current Account</u></b>				
<i>First National Bank</i>				
<i>Account Number 62313562308 : Call Account</i>				
Bank statement balance at the beginning of the year	2 011 967	2 011 967	-	-
Bank statement balance at the end of the year	1 108 822	1 108 822	2 011 967	2 011 967
<b><u>Investment Current Account</u></b>				
<i>First National Bank Account - Durban Branch</i>				
<i>Specify (INVESTEC BANK (1100435877457)): Call Account</i>				
Bank statement balance at the beginning of the year	-	-	-	-
Bank statement balance at the end of the year	978 885	978 885	-	-
<b><u>Investment Current Account</u></b>				
<i>Rand Merchant Bank Account</i>				
<i>Account Number XS021900669 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	235 700	235 700
Bank statement balance at the end of the year	-	-	-	-
<b><u>11.2.1 First National Bank Account : Business Investment Desk Branch</u></b>				
<i>Account Number 74767676876 Fixed Maturity Notice</i>				
Cash book balance at beginning of year	-			
Cash book balance at end of year	1,003,710			
Bank statement balance at the beginning of the year	-			
Bank statement balance at the end of the year	1,003,710			
<b><u>11.2.2 First National Bank Account - Business Investment Desk Branch</u></b>				
<i>Account Number 74767676161 Fixed Maturity Notice</i>				
Cash book balance at beginning of year	-			
Cash book balance at end of year	1,000,000			
Bank statement balance at beginning of year	-			
Bank statement balance at end of year	1,000,000			
<b><u>11.2.3 First National Bank Account - Business Investment Desk Branch</u></b>				
<i>Account Number 74769875761 Fixed Maturity Notice</i>				
Cash book balance at beginning of year	-			
Cash book balance at end of year	805,994			
Bank statement balance at beginning of year	-			
Bank statement balance at end of year	805,994			

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
<b>11.2.5 Invested - Grayston Drive Branch</b>				
Account Number 1100548992530 Business Top5				
Cash book balance at beginning of year	-	-	-	-
Cash book balance at end of year	2,078,498	-	-	-
Bank statement balance at beginning of year	-	-	-	-
Bank statement balance at end of year	2,078,498	-	-	-
<b>Credit card</b>			8 640	
<b>Petty cash and cash on hand</b>	44,870	44,000	44,344	44,000
<b>Total investments</b>	38,209,551	33,305,238	2,019,665	2,013,102
<b>Bank Statement Balance</b>	37,559,245	37,353,937	3,341,282	2,827,841
Cash book balance at beginning of year	2,374,426	1,852,001	2,373,230	1,852,001
Cashbook balance at year end	37,611,494	37,405,315	2,374,426	1,852,001

**4 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Ndwedwe Local Municipality (Town Development)	-	-	-	-
Deposits	26,350	-	-	-
Department of Water & Sanitation (Emergency Drox)	-	-	-	-
Department of Cooperative Governance & Traditional Affairs	33,197,109	33,197,109	16,109,491	16,109,491
Department of Water & Sanitation (WSIG)	2,975,265	2,975,265	3,928,174	3,928,174
Department of Water Affairs (RBIG/LTBWSS)	-	-	27,423,458	27,423,458
<b>Total Other Debtors</b>	<b>36,198,724</b>	<b>36,172,374</b>	<b>47,461,121</b>	<b>47,461,121</b>

**5 OTHER NON-CURRENT FINANCIAL ASSETS**

Investments in municipal entity - Enterprise Ilembe Development	-	100	-	100
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**6 INVENTORIES**

Opening balance of inventories:	13,020,058	13,020,058	13,020,058	13,020,058
Consumable stores - at Net Replacement Cost	12,109,477	12,109,477	12,109,477	12,109,477
Water	910,581	910,581	910,581	910,581
Movements:	(5,102,749)	(5,102,749)	-	-
Consumable stores	(5,338,285)	(5,338,285)	-	-
Water	235,537	235,537	-	-
Closing balance of inventories:	8,200,327	7,917,309	13,020,058	13,020,058
Consumable stores	7,054,209	6,771,191	12,109,477	12,109,477
Water	1,146,118	1,146,118	910,581	910,581

**7 NON-CURRENT RECEIVABLES**

Staff loans	91,164	91,164	257,126	257,126
Councillor A Beardman Salary Overpayment	382,102	382,102	-	-
Less: Provision for bad debts	-	-	(236,494)	(236,494)
<b>Total</b>	<b>473,266</b>	<b>473,266</b>	<b>20,632</b>	<b>20,632</b>

These loans were as a result of bursaries granted to certain staff members as part of a bursary scheme approved by council in previous financial years.

**8 INVESTMENTS**

**Financial Instruments**

ABSA zero coupon investment	27,286,429	27,286,429	25,809,873	25,809,873
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This investment has been ceded as security against the long term loan from ABSA disclosed in Note 16

**NOTES TO THE FINANCIAL STATEMENTS**  
As at 30 June 2018

**10 PROPERTY, PLANT AND EQUIPMENT**

**10.1 Reconciliation of Carrying Value**

	Land	Buildings	Agriculture PPE	Infrastructure Water & Sewer	Other Assets	Finance lease assets	Total	IDM Total
	R	R		R	R	R	R	R
As at 1 July 2017	3,242,908	10,488,546	18,162,558	2,208,805,295	20,383,920	1,334,755	2,262,417,975	2,237,437,174
Cost/Revaluation	3,242,908	19,413,153	24,733,393	2,646,487,194	28,534,643	41,055,584	2,763,446,886	2,731,246,153
Correction of prior year error (note 31) - Cost	-	(306,086)	-	(3,613,436)	(4,389,735)	-	(6,289,256)	2,832,667
Correction of prior year error (note 31) - Accumulated depreciation and impairment loss	-	284,718	-	1,906,094	8,931,112	-	11,121,924	-
Accumulated depreciation and impairment loss	-	(8,903,238)	(6,570,836)	(435,954,565)	(12,712,100)	(38,720,839)	(503,861,579)	(496,641,646)
Acquisitions	-	53,247	-	-	508,913	3,328,957	3,891,117	3,591,214
Capital under Construction	-	-	-	302,431,862	-	-	302,431,862	302,431,862
Depreciation	-	(1,156,514)	(966,186)	(74,219,589)	(3,028,160)	(1,936,840)	(81,310,289)	(80,148,190)
Carrying value of disposals	-	-	-	-	(98,728)	(293,012)	(391,741)	(352,330)
Cost/Revaluation	-	-	-	-	(662,187)	(41,025,594)	(41,687,781)	(41,373,552)
Accumulated depreciation and impairment loss	-	-	-	-	563,439	40,732,581	41,296,021	41,021,222
<b>Asset under Construction</b>								
Opening Balance at 1 July 2017				938,942,311			938,942,311	938,942,311
Additions				302,431,862			302,431,862	302,431,862
Transferred to completed projects				1,241,374,173			1,241,374,173	1,241,374,173
Closing Balance at 30 June 2018				(548,408,252)			(548,408,252)	(548,408,252)
				692,965,922			692,965,922	692,965,922
Impairment loss/Reversal of impairment loss	-	-	-	116,882	-	-	116,882	116,882
Transfers	-	13,874,638	-	(13,874,638)	-	-	(0)	-
Other movements	-	-	-	-	-	-	-	-
As at 30 June 2018	3,242,908	23,259,918	17,194,372	2,423,259,603	17,764,944	2,433,859	2,487,155,607	2,463,076,412
Cost/Revaluation	3,242,908	33,034,953	24,733,393	2,931,410,982	32,942,768	3,368,957	3,028,723,960	3,000,457,054
Accumulated depreciation and impairment loss	-	(9,775,034)	(7,539,021)	(508,151,378)	(15,177,821)	(925,098)	(541,568,353)	(537,390,642)

**Capital Projects - Cancelled/Delays In**

**Name of the Project**

Ntswedwe Town Development project has been put on hold due to the termination of the project contractor.

**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for year ended 30 June 2018

**10.2 Reconciliation of Carrying Value**

	Land R	Buildings R	Agriculture PPE	Infrastructure Water & Sewer R	Assets Under Construction R	Other Assets R	Finance lease assets R	Total R	IDM Total R
<b>As at 1 July 2016</b>	3,242,908	10,479,697	18,917,254	1,187,469,328	738,493,421	10,356,914	15,039,586	1,983,999,032	1,959,139,919
Cost/Revaluation	3,242,908	18,594,342	24,475,905	1,553,883,172	738,493,421	23,609,741	40,690,454	2,402,989,943	2,372,163,579
Correction of prior year error (note 31) - Cost	-	-	-	-	-	102,174	-	102,174	-
Accumulated depreciation and impairment losses	-	-	-	(3,635,724)	-	22,053	-	(1,335,348)	(3,635,724)
Accumulated depreciation and impairment losses	-	(8,114,644)	(7,836,974)	(362,778,117)	-	(13,377,053)	(25,650,948)	(417,757,738)	(409,387,932)
<b>Acquisitions</b>									
Capital under Construction	-	818,811	303,836	-	-	7,343,224	365,140	8,831,011	7,512,468
Depreciation	-	-	-	-	354,349,580	198,649	-	354,548,229	354,548,229
	-	(768,594)	(980,142)	(82,912,488)	-	(1,859,548)	(14,069,891)	(80,610,661)	(79,492,402)
<b>Carrying value of disposals</b>									
Cost/Revaluation	-	-	(19,238)	(2,681)	-	(218,497)	-	(238,415)	(218,176)
Accumulated depreciation and impairment losses	-	-	(46,347)	(60,328)	-	(2,719,145)	-	(2,825,821)	(2,778,474)
	-	-	27,110	57,848	-	2,502,848	-	2,587,406	2,580,298
<b>Impairment loss/Reversal of impairment loss</b>									
Transfers	-	-	(59,152)	(6,685,885)	-	-	-	(6,745,037)	(6,685,885)
Other movements	-	-	-	153,702,041	(153,900,690)	-	-	(198,649)	(198,649)
<b>As at 30 June 2017</b>	3,242,908	10,508,914	18,162,558	1,271,570,315	938,942,311	15,822,745	1,334,755	2,259,585,311	2,234,604,507
Cost/Revaluation	3,242,908	19,413,153	24,733,393	1,707,524,884	938,942,311	28,534,843	41,055,594	2,763,446,868	2,731,246,153
Correction of prior year error (note 31) - Cost	-	-	-	-	-	-	-	-	-
Correction of prior year error (note 31) - Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(8,903,238)	(8,570,836)	(435,954,566)	-	(12,711,898)	(39,720,839)	(503,861,377)	(486,641,646)

\*Other movements consist of ....  
Refer to Appendix B for more detail on property, plant and equipment

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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**11 HERITAGE ASSETS**

**11.1 Reconciliation of carrying value**

	Moveable Objects	Total	IDM Total
	R		
As at 1 July 2017	205,578	205,578	205,578
Cost	205,578	205,578	205,578
Accumulated impairment losses	-	-	-
As at 30 June 2018	205,578	205,578	205,578
Cost	205,578	205,578	205,578
Accumulated impairment losses	-	-	-

**11.2 Reconciliation of carrying value**

	Moveable Objects	Total	
	R	R	
As at 1 July 2016	205,578	205,578	205,578
Cost	205,578	205,578	205,578
Accumulated impairment losses	-	-	-
As at 30 June 2017	205,578	205,578	205,578
Cost	205,578	205,578	205,578
Accumulated impairment losses	-	-	-



**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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**12 INTANGIBLE ASSETS**

<b>12 Reconciliation of carrying value</b>	<b>Licenses</b>	<b>Computer Software R</b>	<b>Total R</b>	<b>IDM Total</b>
<b>As at 1 July 2017</b>	<b>3,157,151</b>	<b>3,320,513</b>	<b>6,477,667</b>	<b>6,475,640</b>
Cost	6,575,759	7,848,895	14,424,654	14,395,839
Prior year error		(1,811,402)	(1,811,402)	-1,811,402
		2,961,958	2,961,958	2,961,958
Accumulated amortisation and imp	(3,418,608)	(5,678,938)	(9,097,545)	(9,070,755)
Acquisitions	196,800	-	196,800	196,800
Other Movements		-	-	
Amortisation	(1,758,083)	(1,472)	(1,759,555)	(1,758,083)
Carrying value of disposals	(8)	555	547	(8)
Cost	(741,559)	28,816	(712,743)	(741,559)
Accumulated amortisation	741,551	(28,261)	713,289	741,551
<b>As at 30 June 2018</b>	<b>1,595,861</b>	<b>3,318,486</b>	<b>4,914,350</b>	<b>4,914,349</b>
Cost	6,031,001	6,008,877	12,039,878	12,039,879
Accumulated amortisation and imp	(4,435,139)	(2,690,191)	(7,125,330)	(7,125,329)

**12 Reconciliation of carrying value**

	<b>Licenses R</b>	<b>Computer Software R</b>	<b>Total R</b>	<b>IDM Total R</b>
<b>As at 1 July 2016</b>	<b>3,395,914</b>	<b>2,172,048</b>	<b>5,536,694.96</b>	<b>5,563,848</b>
Cost	4,852,359	7,848,895	12,701,254	12,672,439
Prior year error (note 32)	161,000	-	161,000	161,000
	31,267			31,267
Accumulated amortisation and imp	(1,648,712)	(5,676,847)	(7,325,559)	(7,300,860)
Acquisitions	1,884,400	-	1,884,400	1,884,400
Other Movements	-	-	-	-
Amortisation	(1,801,162)	(2,091)	(1,803,253)	(1,801,162)
<b>As at 30 June 2017</b>	<b>3,157,151</b>	<b>2,169,957</b>	<b>5,327,110.66</b>	<b>5,325,083</b>
Cost	6,575,759	7,848,895	14,424,654	14,395,839
Accumulated amortisation and imp	(3,418,608)	(5,678,938)	(9,097,545)	(9,070,755)

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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**13 BIOLOGICAL ASSETS**

**13.1 Reconciliation of carrying value**

	Moringa Plantation	Vineyards assets R	Total R	IDM Total R
As at 1 July 2017		390,000	390,000	-
Cost		1,710,000	1,710,000	-
Accumulated amortisation and impairment losses		(1,320,000)	(1,320,000)	-
Gain on fair value		1,400	1,400	-
Amortisation		-	-	-
As at 30 June 2018		391,400	391,400	-
Cost		1,710,000	1,710,000	-
Accumulated amortisation and impairment losses		(1,318,600)	(1,318,600)	-

**13.2 Reconciliation of carrying value**

	Moringa Plantation	Biological Assets R	Total R	IDM Total R
As at 1 July 2016	-	1,174,400	1,174,400	-
Cost	1,064,800	1,710,000	2,774,800	-
Accumulated amortisation and impairment losses	-1,064,800	(535,600)	(1,600,400)	-
Loss on fair value		(784,400)	(784,400)	-
Amortisation		-	-	-
Carrying value of disposals		-	-	-
Cost		-	-	-
Accumulated amortisation		-	-	-
Impairment loss/Reversal of impairment loss		-	-	-
Transfers		-	-	-
Other movements		-	-	-
As at 30 June 2017		390,000	390,000	-
Cost	1,064,800	1,710,000	2,774,800	-
Accumulated amortisation and impairment losses	-1,064,800	(1,320,000)	(2,384,800)	-

**LEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2018

	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
<b>14 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>				
Trade creditors	77,718,145	76,551,387	123,072,464	121,983,728
Debtors with credit balances	7,504,561	7,504,561	8,307,754	8,307,754
Lembe Enterprise		848,688		
Staff leave accrual	13,680,688	13,680,688	12,510,327	11,681,239
Outstanding Payments	54,960	54,960	1,894,790	1,894,790
RD Cheques	42,150	42,150	42,150	42,150
Other creditors	80,041,729	79,702,626	79,544,781	79,492,892
Consumer water deposits	8,251,968	8,251,968	5,387,773	5,387,773
13th Cheque	6,477,623	5,249,743	5,509,732	5,509,732
Vat payable	1,831,107.27	1,831,107.27	-	-
Total creditors	182,602,822	198,515,888	236,269,770	234,368,658

The fair value of trade and other payables approximates their carrying amounts.

**15 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Unspent Conditional Grants and Receipts				
Provincial Township Establishment	1,200,000	1,200,000	1,200,000	1,200,000
RBIG	14,579,853	14,579,853		
Agri Processing Facilities Ex DCGTA			1,296,709	-
LED Strategy			335,162	-
Rural Transport Service Grant			-	-
Grants - Other			311,073	-
Amacimbini Dev Project Ex DCGTA			757,666	-
Maphumulo Small Town Rehabilitation			85,965	-
Moringa Tree Plantations			2,400,001	-
Maphumulo IEC Grant	700,000			
District Growth and Development Summit - 2016	131,369			
Fresh Produce Market			278,049	-
Tourism King Shaka Route			57,000	-
Growth Summit			74,330	-
Total Unspent Conditional Grants and Receipts	16,611,222	15,779,853	6,795,975	1,200,001
Non-current unspent conditional grants and receipts			-	-
Current portion of unspent conditional grants and receipts	16,611,222	15,779,853	6,558,917	862,842

See Note 22 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised

**16 BORROWINGS**

Development Bank of South Africa	49,219,338	49,219,338	53,281,994	53,281,994
ABSA	30,796,582	30,796,582	31,566,863	31,566,863
	80,015,900	80,015,900	84,848,857	84,848,857
Less : Current portion transferred to current liabilities	7,164,483	7,164,483	5,475,651	5,475,651
Development Bank of South Africa	7,164,483	7,164,483	3,908,688	3,908,688
ABSA			1,566,863	1,566,863
Non current portion of borrowings	72,851,417	72,851,417	79,373,305	79,373,305

Development Bank of South Africa

Bear interest at rates between 9.02% and 11.04% per annum and are repayable every six months with the last repayment due on 30 September 2025

ABSA Loan

Bears interest at 10.6% per annum, interest is paid quarterly and the loan is repayable in 2025

Refer to Appendix A for more detail on borrowings

**17 FINANCE LEASE LIABILITY**

For the period ended 30 June 2018	Minimum lease payment R	Future finance charges R	Future finance charges	Present value of minimum lease payments R
Amounts payable under finance leases				
Within one year	2,759,290	1,112,739	591,589	1,054,962
Within two to five years	3,458,333	575,931	925,349	1,957,053
	6,217,623	1,688,670	1,516,938	3,012,015
Less: Amount due for settlement within 12 months (current portion)				1,054,962
				1,957,053
Minimum lease payments				
Capital amount within one year	1,054,962	1,054,962	697,471	697,471
Capital amount within one year	1,957,053	1,957,053	13,426,848	13,426,848
	3,012,015	3,012,015	14,124,319	14,124,319

The leases are for a variety of motor vehicles and computers equipment that are utilised in the course of performing the Municipality's powers and functions

Motor vehicle leases are for three years. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2015 and June September 2017. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the termination of the leases the vehicles revert to the lessor.

Computer equipment leases are for three years. The interest rate charged is linked to the prime rate. The termination date is 30 September 2020. The leases are repaid monthly and include maintenance and insurance. At termination of the leases the computer equipment revert to the lessor.

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	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
16.1 Operating Leases liability				
			Not later than 1 year	Later than 1 year and Total
Operating leases liability			337,033	337,033

The operating lease relate to photocopiers that are utilised within the municipality's powers and function. The termination date is 28 February 2019

as at 30 June 2017	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	14,236,386	112,067	14,124,319
Within two to five years	-	-	-
Adjustment	-	-	-
	14,236,386	112,067	14,124,319
Less: Amount due for settlement within 12 months (current portion)			14,124,319

The leases are for a variety of motor vehicles that are utilised in the course of performing the Municipality's powers and functions. The leases are for five years and 240 000 kilometres. The interest rates vary between 9.0% and 15.5%. The termination dates varied between July 2017 and October 2017. The leases were repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the termination of the leases the vehicles revert to the lessor. The leases have terminated and the vehicles are now leased on a month to month basis.

**18 SERVICE CHARGES**

Sale of water	94,899,255	94,899,255	90,737,351	90,737,351
Sewerage and sanitation charges	36,189,103	36,189,103	66,446,025	66,446,025
Revenue Forgone	(837,043)	(837,043)	(20,345,914)	(20,345,914)
Total Service Charges	130,251,315	130,251,315	136,837,461	136,837,461

Sale of water is broken down into prepaid sales and conventional meters water sales.

18.1 Sale of Water				
Prepaid water sales	42,347,451	42,347,451	24,803,761	24,803,761
Conventional meters water sales	52,551,804	52,551,804	65,933,589	65,933,589
	94,899,255	94,899,255	90,737,351	90,737,351
Revenue Forgone	(837,043)	(837,043)	(512,567)	(512,567)
Total Water Sales	94,062,212	94,062,212	90,224,784	90,224,784

**19 RENTAL OF FACILITIES AND EQUIPMENT**

Lembe Auditorium	9,676	9,676	85,244	13,244
Rental of facilities	86,067	-	-	-
Total rentals	95,743	9,676	85,244	13,244

**20 INTEREST EARNED - BANK BALANCES**

Bank	8,359,539	8,088,492	3,107,911	2,854,781
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**21 INTEREST EARNED - OUTSTANDING RECEIVABLES**

Interest on debtors	15,452,338	15,452,338	18,997,572	18,997,572
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**22 GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	419,734,000	419,734,000	373,891,000	373,891,000
MIG Grant	213,213,617	213,213,617	186,984,000	186,984,000
Other Government Grants and Subsidies	176,326,109	176,359,783	202,039,830	201,656,580
Total Government Grant and Subsidies	809,273,726	809,307,400	762,914,830	762,531,580

**22.1 Equitable Share**

Balance unspent at beginning of year	-	-	-	-
Current year receipts	419,734,000	419,734,000	373,891,000	373,891,000
Conditions met - transferred to revenue	(419,734,000)	(419,734,000)	(373,891,000)	(373,891,000)
Conditions met	-	-	-	-

**22.2 Municipal Infrastructure Grant**

Balance unspent at beginning of year	(16,109,490)	(16,109,490)	(60,856,819)	(60,856,819)
Current year receipts	196,126,000	196,126,000	186,984,000	186,984,000
Conditions met - transferred to revenue	(213,213,617)	(213,213,617)	(186,984,000)	(186,984,000)
Adjustments and Transfers	-	-	44,747,328	44,747,328
Conditions met - balance remain in transfer payments debtors (see note 4)	-33,197,108	-33,197,108	(16,108,480)	(16,108,490)

Adjustments and transfers relate to amounts disclosed on note 31 as a correction of prior year overstatement

**22.3 Other Grants**

Balance unspent at beginning of year	-	-	300,000	300,000
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(300,000)	(300,000)
Adjustments and Transfers	-	-	-	-
Conditions met	-	-	(0)	(0)

**22.4 WATER SERVICE OPERATING GRANT**

Balance unspent at beginning of year	-	-	2,915,980	2,915,980
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(2,850,182)	(2,850,182)
Adjustments and Transfers	-	-	(65,798)	(65,798)
Conditions met	-	-	(0)	(0)

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	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
<b>22.5 REGIONAL BULK INFRASTRUCTURE GRANT - LTBWSS</b>				
Balance unspent at beginning of year	(27,423,456)	(27,423,456)	(56,722,601)	(56,722,601)
Current year receipts	145,000,000	145,000,000	127,452,160	127,452,160
Conditions met - transferred to revenue	(102,996,691)	(102,996,691)	(125,517,456)	(125,517,456)
Adjustments and Transfers	-	-	25,488,751	25,488,751
Conditions still to be met - remain liabilities (see note 15)	<u>14,579,853</u>	<u>14,579,853</u>	<u>27,423,456</u>	<u>27,423,456</u>
Adjustments and transfers relate to amounts disclosed on note 31 as a correction of prior year overstatement				
<b>22.6 RURAL TRANSPORT SERVICE</b>				
Balance unspent at beginning of year	-	-	104,891	104,891
Current year receipts	-	-	2,174,000	2,174,000
Conditions met - transferred to revenue	-	-	(2,049,594)	(2,049,594)
Adjustments and Transfers	-	-	(229,288)	(229,288)
Conditions met	<u>-</u>	<u>-</u>	<u>(0)</u>	<u>(0)</u>
<b>22.7 District Growth and Development Summit 2018 - COGTA</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	300,000	300,000	-	-
Conditions met - transferred to revenue	(300,000)	(300,000)	-	-
Adjustments and Transfers	-	-	-	-
Conditions met	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>22.8 MUNICIPAL WATER INFRASTRUCTURE GRANT</b>				
Balance unspent at beginning of year	(3,928,174)	(3,928,174)	(20,762,391)	(20,762,391)
Current year receipts	62,500,000	62,500,000	62,500,000	62,500,000
Conditions met - transferred to revenue	(61,547,092)	(61,547,092)	(58,500,000)	(58,500,000)
Adjustments and Transfers	-	-	12,834,218	12,834,218
Conditions met - balance remain in transfer payments debtors (see note 4)	<u>(2,975,266)</u>	<u>(2,975,266)</u>	<u>(3,928,174)</u>	<u>(3,928,174)</u>
<b>22.9 PROVINCIAL TOWNSHIP ESTABLISHMENT</b>				
Balance unspent at beginning of year	962,942	962,942	1,166,610	1,166,610
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	<u>237,058</u>	<u>237,058</u>	<u>(203,668)</u>	<u>(203,668)</u>
Conditions still to be met - remain liabilities (see note 15)	<u>1,200,000</u>	<u>1,200,000</u>	<u>962,942</u>	<u>962,942</u>
Adjustments and transfers relate to amounts disclosed on note 31 as a correction of prior year overstatement				
<b>22.10 Grant Local Economic Development Strategy Ex COGTA</b>				
Balance unspent at beginning of year	-	-	1,679,959	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(383,250)	-
Adjustments and Transfers	-	-	-	-
Conditions met	<u>-</u>	<u>-</u>	<u>1,296,709</u>	<u>-</u>
<b>22.11 FRESH PRODUCE MARKET IN STANGER</b>				
Balance unspent at beginning of year	-	-	278,049	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met - remain liabilities (see note 15)	<u>-</u>	<u>-</u>	<u>278,049</u>	<u>-</u>
<b>22.12 FINANCIAL MANAGEMENT GRANT</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	1,250,000	1,250,000	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)
Adjustments and Transfers	-	-	-	-
Conditions met	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



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<b>22.13 ENERGY EFFICIENCY AND DEMAND-SIDE</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	6,000,000	6,000,000	-	-
Conditions met - transferred to revenue	(6,000,000)	(6,000,000)	-	-
Conditions met	-	-	-	-
<b>22.14 EXPANDED PUBLIC WORKS PROGRAMME</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	1,000,000	1,000,000	1,850,000	1,850,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)	(1,850,000)	(1,850,000)
Adjustments and Transfers	-	-	-	-
Conditions met	-	-	-	-
<b>22.15 NDWEDWE TOWN DEVELOPMENT</b>				
Balance unspent at beginning of year	0	0	(6,813,833)	(6,813,833)
Current year receipts	-	-	10,816,737	10,816,737
Conditions met - transferred to revenue	-	-	(3,534,155)	(3,534,155)
Adjustments and Transfers	-	-	(468,749)	(468,749)
Conditions met	0	0	0	0
<b>22.16 Grant Amacambini Dev Project Ex DCGTA</b>				
Balance unspent at beginning of year	-	-	(757,666)	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met - remain liabilities (see note 15)	-	-	(757,666)	-
<b>22.17 DROUGHT RELIEF GRANT - NATIONAL DISASTER MANAGEMENT GRANT (DWS)</b>				
Balance unspent at beginning of year	-	-	(1,849,693)	(1,849,693)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	1,849,693	1,849,693
Conditions still to be met	-	-	(0)	(0)
<b>22.18 Grant local Economic Development Strategy Ex COGTA</b>				
Balance unspent at beginning of year	-	-	(335,182)	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met	-	-	(335,182)	-
<b>22.19 Growth Summit</b>				
Balance unspent at beginning of year	-	-	(74,330)	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met	-	-	(74,330)	-
<b>22.20 Grant Ilembe District Municipality - Tourism</b>				
Balance unspent at beginning of year	501,253	-	286,895	-
Current year receipts	1,636,951	-	1,070,403	-
Conditions met - transferred to revenue	(2,138,205)	-	(856,044)	-
Adjustments and Transfers	-	-	-	-
Conditions still met	(0)	-	501,253	-

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	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
<b>22.21 Maphumulo IEG Grant</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	700,000	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met	700,000	-	-	-
<b>22.22 Development of SMEs</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	500,000	-	-	-
Conditions met - transferred to revenue	-500,000	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions met	-	-	-	-
<b>22.23 Grant Maphumulo Small Town Regeneration</b>				
Balance unspent at beginning of year	-	-	85,965	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met - remain liabilities (see note 15)	-	-	85,965	-
<b>22.24 Grant Moringa Tree Plantation</b>				
Balance unspent at beginning of year	-	-	2,400,001	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met	-	-	2,400,001	-
<b>22.25 District Growth and Development Summit 2018 - COGTA</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	300,000	-	-	-
Conditions met - transferred to revenue	-168,631	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met	131,369	-	-	-
<b>22.26 Projects Ex IDC</b>				
Balance unspent at beginning of year	1	-	15,835	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	(15,835)	-
Conditions still to be met	-	-	1	-
<b>22.27 12.17 Tourism King Shaka Route</b>				
Balance unspent at beginning of year	57,001	-	57,001	-
Current year receipts	(54,000)	-	-	-
Conditions met - transferred to revenue	(2,200)	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met	0	-	57,001	-
Adjustments and transfers relate to amounts owed by the Department of Water and Sanitation, for which a debtor has been created.				
<b>22.28 Grant Ilembe District Municipality - LED</b>				
Balance unspent at beginning of year	199,999	-	24,177	-
Current year receipts	3,383,000	-	3,000,000	-
Conditions met - transferred to revenue	(3,582,999)	-	(2,824,178)	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met	-	-	199,999	-
<b>22.29 Unconditional IDM Grant</b>				
Balance unspent at beginning of year	-	-	17,417,981	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(17,417,981)	-
Conditions still to be met	-	-	-	-
<b>23 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS</b>				
<b>23.1 Other Income</b>				
Tender Documents	460,192	460,192	123,653	123,653
Telephone recovered	-	-	-	-
Clearance certificates	1,312,108	1,312,108	1,084,305	1,084,305
Private developers	-	-	1,805,382	1,805,382
Size Water Concession	2,140,643	2,140,643	2,027,687	2,027,687
Insurance proceeds	-	-	-	-
Interest on bank accounts	-	-	-	-
Department of Education	-	-	-	-
LG Seta Income	-	-	191,465	191,465
Developers Capital Contribution	-	-	-	-
Enterprise Ilembe	-	696,693	-	677,983
Shored Service	4,066,152	4,066,152	2,314,913	2,314,913
New connections	-	-	-	-
Vat Refunds	-	-	-	-
Other income	353,263	246,499	1,082,811	1,045,773
	8,332,356	8,922,486	8,649,216	9,271,161

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	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
<b>23.2 Fines and Penalties</b>				
Illegal Connections	86,551	86,551	-	-
Water Tampering	202,259	202,259	-	-
Atmospheric Emission	77,800	77,800	-	-
Disconnections	13,828	13,828	-	-
	<u>380,438</u>	<u>380,438</u>	<u>-</u>	<u>-</u>
<b>23.3 Gain / (loss) on sale of assets</b>				
Loss on sale of assets	390,534	351,989	4,355	4,355
Gain on sale of assets	-	-	(24,668)	(24,668)
<b>Total Gain / (loss) on sale of assets</b>	<u>390,534</u>	<u>351,989</u>	<u>(20,314)</u>	<u>-</u>
<b>23.4 Sale of Produce</b>				
Supply of vegetables - NSNP	18,031,479	-	9,055,559	-
Wine sales	<u>18,031,479</u>	<u>-</u>	<u>9,055,559</u>	<u>-</u>

The entity has a contract with the Department of Education (DOE) for the supply of vegetables to schools within Ilembe District. DOE and the Entity signed a 3 year SLA commencing on 1 July 2017

**24 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	133,136,925	120,593,506	129,368,298	118,035,466
Employee related costs - Contributions for UIF, pensions and medical aids	27,877,077	27,009,458	24,916,829	24,873,824
Travel, motor car, accommodation, subsistence and other allowances	5,987,783	5,508,417	7,067,922	7,067,922
Housing benefits and allowances	553,712	553,712	1,440,063	1,440,063
Overtime payments	6,085,370	6,085,370	5,844,959	5,844,959
Performance and other bonuses	9,109,580	9,109,580	9,901,004	9,901,004
Long-service awards	734,000	734,000	1,569,706	1,569,706
Other employee related costs	17,837,911	17,371,829	5,641,115	4,951,231
<b>Employee Related Costs</b>	<u>201,322,369</u>	<u>188,965,871</u>	<u>185,749,893</u>	<u>173,684,174</u>

There were no advances to employees

**Remuneration of the Municipal Manager**

Annual Remuneration	113,633	113,633	1,102,424	1,102,424
Travel, motor car, accommodation, subsistence	14,783	14,783	143,054	143,054
Contributions to UIF, Medical and Pension Funds and other allowances	297	297	1,785	1,785
13th Cheque Provision	8,279	8,279	95,595	95,595
<b>Total</b>	<u>126,992</u>	<u>126,992</u>	<u>1,342,858</u>	<u>1,342,858</u>

The Municipal Manager position was filled in August 2018

**Remuneration: CEO Enterprise Iembe**

Remuneration of the Chief Executive Officer				
Acting Allowance - C Rajkumar ( Aug to Jan 2017)	-	-	335,501	-
Acting Allowance - T Ngobho ( Feb to May 2017)	-	-	211,754	-
CEO ( T Mkhwanazi - resigned July 2016)	-	-	314,188	-
CEO ( N Nkonzo - appointed June 2017)	1,442,396	-	120,955	-
UIF	1,785	-	-	-
<b>Total</b>	<u>1,444,181</u>	<u>-</u>	<u>682,398</u>	<u>-</u>

**Remuneration of the Chief Financial Officer**

Annual Remuneration	609,577	609,577	421,010	421,010
Travel, motor car, accommodation, subsistence	54,000	54,000	92,417	92,417
Contributions to UIF, Medical and Pension Funds and other allowances	1,338	1,338	892	892
Performance Bonus	-	-	11,625	11,625
<b>Total</b>	<u>664,915</u>	<u>664,915</u>	<u>525,944</u>	<u>525,944</u>

**Remuneration: CFO Enterprise Iembe**

Annual Remuneration	990,389	-	903,120	-
Travel, motor car, accommodation, subsistence	60,000	-	75,260	-
Medical Aid	35,017	-	-	-
Pension Fund	43,632	-	-	-
UIF	1,785	-	-	-
<b>Total</b>	<u>1,130,823</u>	<u>-</u>	<u>978,380</u>	<u>-</u>

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<b>Remuneration of Individual Executive Directors</b>				
	<b>Technical Services R</b>	<b>Corporate Services R</b>		<b>Corporate Governance R</b>
For the period ended 30 June 2018				
Annual Remuneration	1,171,721	897,558		210,693
Travel, motor car, accommodation, subsistence and other allowances	-	283,373		10,590
Contributions to UIF, Medical and Pension Funds	1,636	85,417		448
Performance Bonus	12,782	38,964		97,900
<b>Total</b>	<b>1,186,139</b>	<b>1,303,313</b>	<b>-</b>	<b>319,539</b>

	<b>Technical Services R</b>	<b>Corporate Services R</b>		<b>Corporate Governance R</b>
As at 30 June 2017				
Annual Remuneration	1,205,888	815,169		1,164,527
Travel, motor car, accommodation, subsistence and other allowances	-	269,879		-
Contributions to UIF, Medical and Pension Funds	1,785	81,264		1,785
Performance Bonus	11,376	21,972		76,903
<b>Total</b>	<b>1,219,049</b>	<b>1,188,284</b>	<b>-</b>	<b>1,243,215</b>

The position for Director Technical Services is currently vacant.

**25 REMUNERATION OF COUNCILLORS**

Mayor	1,008,808	1,008,808	907,200	907,200
Deputy Mayor	815,206	815,206	736,597	736,597
Speaker	815,206	815,206	702,624	702,624
Executive Committee Members	2,082,183	2,082,183	1,185,653	1,185,653
Councillors' Allowances	3,474,525	3,474,525	4,339,016	4,339,016
Councillors' pension and medical aid contributions	209,764	209,764	149,555	149,555
<b>Total Councillors' Remuneration</b>	<b>8,405,692</b>	<b>8,405,692</b>	<b>8,020,646</b>	<b>8,020,646</b>

**In-kind Benefits**

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Deputy Mayor and Speaker has use of the Council owned vehicle for official duties. The Mayor has 4 full-time Protectors.

**REMUNERATION OF BOARD MEMBERS:**

**Attendance fees at meetings**

B N Linda	(Contract ended January 2017)	-	61,854	
I Deetlefs	(Contract ended January 2017)	-	40,505	
ZP Zeka	(Contract ended January 2017)	-	37,258	
KS Shandu - Chairperson	(Appointed November 2015)	109,423	28,258	
AT Nzama - Deputy Chairperson	(Re-Appointed February 2017)	90,437	37,161	
D Nene	(Appointed November 2017)	90,437	84,768	
JC Osofso	(Re-appointed February 2017)	77,420	95,763	
ZS Gumede	(Appointed February 2017)	74,420	85,431	
N Mngadi	(Appointed February 2017)	74,480	86,687	
B Mngadi	(Appointed February 2018)	34,258		
<b>Total Board Members' Remuneration</b>		<b>559,858</b>	<b>563,686</b>	<b>-</b>

**26 DEPRECIATION, IMPAIRMENT AND AMORTISATION EXPENSE**

Depreciation	81,310,289	80,148,190	81,941,373	79,492,402
Impairment of Assets	(116,682)	(116,682)	6,685,685	6,685,685
Intangible assets	1,759,856	1,758,083	1,803,293	1,801,162
<b>Total Depreciation, Impairment and Amortisation</b>	<b>82,953,463</b>	<b>81,789,591</b>	<b>90,430,312</b>	<b>87,979,450</b>

The impairment recognized mainly relates to impairment of infrastructure assets due to significant changes in the remaining useful lives of these assets.

**27 FINANCE COSTS**

Borrowings	8,382,842	8,382,842	2,034,451	2,034,451
Leases	2,182,764	2,182,764	7,942,313	7,942,313
<b>Total Finance Costs</b>	<b>10,565,607</b>	<b>10,565,607</b>	<b>9,976,764</b>	<b>9,976,764</b>

**28 BULK PURCHASES**

Water	88,505,612	88,505,612	75,803,000	75,803,000
<b>Total Bulk Purchases</b>	<b>88,505,612</b>	<b>88,505,612</b>	<b>75,803,000</b>	<b>75,803,000</b>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2018

	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
<b>29 CONTRACTED SERVICES</b>				
Contracted services for:				
National Schools Nutrition Programme	14,336,387		8,053,947	
Plant Hire	25,860,692	25,860,692	17,859,331	17,859,331
Security	22,270,180	21,805,090	20,019,082	19,607,729
VIP Toilets Expenditure (MIG Operational)	28,532,283	28,532,283	7,362,707.80	7,362,708
Rural Roads Assets Systems Management Grant (RRAMS) Expenditure	1,978,006	1,978,006	1,797,889.11	1,797,889
Development and Planning	-	-	-	-
Clearing services	74,852			
Fuel and Oil	251,323			
Internal Audit	133,068			
Lease of Vehicles	772,648			
Leases- Office Equipment	48,650			
Salpa games	-	-	1,420,013	1,420,013
Rental of Smart Boxes	-	-	220,408	220,408
SAGE VIP LICENSE SLA	113,333	113,333		
Software Licences	118,153	118,153		
Wireless Network	39,222	39,222		
ICT Disaster Discovery	245,014	245,014		
GROWTH SUMMIT	-	-	-	-
Meter reading contractors	-	-	-	-
Fax & Copier rentals	2,907,022	2,907,022	2,048,099	1,999,449
Lease of Vehicles - Maintenance	-	-	678,383	-
Rental of Buildings	307,666	158,881	227,995	81,705
Vehicle Hire	7,068,688	7,068,688	427,300	427,300
Insurance	2,200,345	2,200,345	1,390,283	1,390,283
Repairs and Maintenance Contracted	43,617,822	41,698,691	32,141,990	31,042,331
	<b>151,075,355</b>	<b>132,725,421</b>	<b>93,647,026</b>	<b>83,189,144</b>

**31 GENERAL EXPENSES**

Included in general expenses are the following -

Advertising	1,824,930	1,163,618	1,518,936	1,038,223
Audit fees	2,941,331	2,696,537	2,729,817	2,216,276
Bank charges	486,428	430,291	257,557	232,152
Broadband expenditure	11,548	-	10,826	-
Clearing	883,712	883,712	922,672	892,343
Conferences and delegations	-	-	-	-
Entertainment	290,680	208,745	292,337	237,952
Fuel and oil	13,004,083	13,004,083	13,601,498	13,601,498
Insurance	130,546	130,546	-	-
IDP & Planning	-	-	48,786	48,786
Commission Agency	-	-	1,556,621	1,556,621
Legal expenses	1,448,867	1,432,573	226,505	224,875
LG Seta Expenditure	-	-	-	-
License fees - vehicles	134,023	134,023	59,060	59,060
Membership fees	2,100,316	2,100,316	2,016,292	2,016,292
Postage	1,419,115	1,404,764	1,781,351	1,767,884
Disaster Management	447,938	447,938	652,085	652,085
Printing and stationery	276,728	108,518	163,167	62,478
Professional fees	2,191,089	1,634,848	3,974,124	2,604,539
Property rates	626,087	626,087	371,008	371,008
Special Projects - Youth, Gender, HIV	248,224	248,224	373,149	373,149
Sports Development	-	-	224,335	224,335
Subscription & publication	140,372	-	110,716	-
Purchase of Wine	39,673	-	-	-
Conference and workshop	43,948	-	-	-
Development of SMMEs	521,281	-	-	-
Interest and Penalties	57,975	-	-	-
Marketing, Communication & Investments	475,434	-	-	-
Telephone cost	403,477	123,267	1,778,383	1,594,911
Training	90,959	-	2,548,687	2,453,437
Travel and subsistence	1,408,583	696,686	314,557	101,513
Uniforms & overalls	153,130	153,130	2,384,654	2,384,654
Expenditure Operational Cost: Indigent Relief	2,465,143	2,465,143	-	-
Water and Sanitation	1,365,016	1,365,016	2,159,183	2,159,183
Water and Electricity	28,933,651	28,900,009	25,186,706	25,069,400
Mechanization	358,475	-	642,172	-
LED Projects	-	24,888,482	-	21,488,383
Tourism events and exhibitions	1,975,153	-	858,044	-
Consumables (Repairs and Maintenance)	15,690,928	15,690,928	31,958,042	31,958,042
Shared Services	483,804	483,804	2,800,532	2,800,532
Public Participation	-	-	518,161	518,161
Size Water	174,000	174,000	752,700	752,700
Audit Committee	85,126	-	-	-
Winery Operations	5,971	-	-	-
ICT Services	256,087	-	-	-
Other	11,563,000	11,416,365	1,148,738	1,504,119
	<b>95,126,783</b>	<b>112,879,655</b>	<b>103,937,280</b>	<b>120,882,380</b>

**31.1 Repairs and Maintenance**

Repairs and Maintenance is made up of the following:

Consumable - Inventory	15,690,928	15,690,928	31,958,042	31,958,042
Contracted Services	43,822,078	41,698,691	32,141,990	31,042,331
Total Expenditure on Repairs and Maintenance	<b>59,513,006</b>	<b>57,389,619</b>	<b>64,099,032</b>	<b>63,000,373</b>



**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
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	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
<b>32 CORRECTION OF PRIOR YEAR ERRORS AND CHANGE IN ACCOUNTING POLICY</b>				
Property, plant and equipment				
Change in the remaining useful life of assets that does not meet the requirements of a change in estimate			(129,733)	(129,733)
Prior year error depreciation	(5,433,370)	(5,433,370)	-3,635,724 15	(3,635,724)
Prior year depreciation and impairment reversals/adjustments	1,398,287		-2,278,077 13	
Reassessment of useful life	9,416,866	9,416,866		
Prior year error				
Trade and other Receivables from exchange transactions				
Consumer Debtors adjustment as a result of cleaning unallocated deposits				
Prior year transactions relating to sundry debtors			(25,550)	(25,550)
VAT not claimed when payment was made			86,443	86,443
Relates to the Vat amount owing by SARS in the prior financial year previously not recorded	697,473			
GRAP 104 Adjustment	(2,396,830)	(2,396,830)		
AFS liability adjustment	(1,907,154)	(1,907,154)		
Other debtors mainly relates to enterprise Itembe balances alignment with IDM and staff recoveries				
Trade and other receivables from non exchange transactions				
Restatement of grant debtors that were overstated in 2016			(108,504,244)	(108,504,244)
Inventory Adjustments - Reversal of prior year net realisable value	6,838,862	6,838,862	1,274,587 32	1,274,587
Recognition of wine stock previously not recorded	178,265			
Restatement of grant balance			19,800,607	19,800,607
Correction of overpayment of Councilfor	249,798	249,798		
Prior year transfer of unspent grants to conditions met	(8,840)			
This relates to COGTA grants that were not realized as conditions met in prior periods	5,227,901			
Trade and other receivables from non exchange transactions				
Reversal of conditions met due on grant due to cost not accepted as part of Drought Intervention, restatement of debtor balance				
This relates to amounts raised by SARS to accounts already accounted for due to adjustments done.			440	
Non Current Finance Lease Liability				
Writeback of residual on finance leases	13,426,848	13,426,848		
amounts transferred from current year lease payments, which related to prior year			12,162	
Trade and other Creditors				
Expenditure provided for in the prior financial years which has not be paid to date due to various reasons			529,078	563,198
Recovery of study bair fees				
Recovery of cost umngent	111,985	111,985		
Correction of prior year trade creditors	(2,099,585)	(2,099,585)	5,161,920	5,161,920
Correction of error				
Other	(3,093)	(3,093)		
Reversal of prior year accruals			16,138,446	16,138,446
Re-instatement of DBSA loan balances at year end			(3,711,063)	(3,711,063)
Moines deposited to the main bank account in prior year which have not been allocated to date			2,177,011	2,177,011
	<u>25,697,413</u>	<u>18,204,127</u>	<u>(73,183,696)</u>	<u>(70,804,103)</u>

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2018

	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
<b>32.1 PRIOR YEAR ADJUSTMENTS</b>				
Trade and other receivables from exchange transactions				
Consumer Debtors adjustment as a result of clearing unallocated deposits	-	-	(887,258)	(687,258)
	-	-	-	-

**31.2 RECLASSIFICATIONS**

The category of heritage assets has been reclassified from property, plant and equipment and presented separately on the statement of financial position and note in the annual financial statements

**Payables**

Interbank transfers has been reclassified from cash and cash at bank to payables under current liabilities

**Other Income**

Fines and penalties have been reclassified as Fine and penalties from other income under other income

Water tampering Kwadukuza	202,259	202,259
Fines illegal connections	86,551	86,551
Atmospheric emission fee	77,800	77,800
Water disconnection mandeni	13,828	13,828

**Service Charges**

Private developer Kwadukuza has been reclassified from other revenue to service charges

In the statement of performance	2,574,023	2,574,023
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**Repairs and Maintenance**

Other repairs from Repairs and Maintenance have been reclassified to consumable inventory in general expenses

15,690,928	15,690,928
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**Contracted Services**

Expenditure reclassified from Grant Expenditure to Contracted Services in statement of financial performance

Rural road asset management system	1,978,006	1,978,006
Ndwedwe vip toilets wsg funded	-	-
Maphumulo area vip toilets	8,013,980	8,013,980
Mandeni area vip toilets	9,594,304	9,594,304
Ndwedwe area vip toilets	10,923,999	10,923,999

**Statement of Financial Performance:**

The items listed below have been reclassified from general expenses to contracted services due to the nature of expenditure as it relates to the payment of contracted

**Contracted Services**

- Cleaning Services	73,884
- Internal Audit	133,068

**General Expenses**

- Cleaning Services	30,329
- Internal Audit	473,282

The items listed below have been reclassified from other income to sale of produce due to the nature of the income

**Sale of Produce**

- Supply of Vegetables (NSNP)	18,031,479
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**Other Income**

- Supply of Vegetables (NSNP)	9,055,559
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**33 CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year	311,581,861	309,544,784	330,322,902	330,506,894
Adjustment for:-				
Depreciation and amortisation	82,953,161	81,789,590	80,430,512	87,979,450
Transfers to / from accumulated surplus/(deficit)	583,865	74,390	4,078,290	(79)
Forex Loss	-	-	(78,247)	(78,247)
Loss on disposal of PPE	390,534	351,989	823,952	20,314
Contribution to provisions - non-current	41,676,124	41,676,124	40,241,279	40,241,279
Contribution to provisions - current	1,886,930	1,866,930	1,295,916	1,295,916
Finance costs	10,565,607	10,565,607	9,976,784	9,976,784
Prior Year Adjustments	25,697,413	18,204,127	(92,904,303)	(90,604,710)
Investment Income	(8,359,539)	(8,066,492)	(3,107,911)	(2,854,791)
Bad debts written off	(3,015,207)	(3,015,207)	(26,476,669)	(26,476,669)
Operating surplus before working capital changes:	483,940,749	452,971,842	354,602,485	359,896,121
Increase in inventories	4,819,731	5,102,749	(2,410,797)	(2,410,797)
Increase/(decrease) in trade receivables	(8,830,273)	(5,426,360)	10,818,888	9,620,063
(Increase)/decrease in other receivables	11,282,397	11,288,747	119,581,881	119,581,881
Increase/(decrease) in conditional grants and receipts	9,815,247	14,579,853	(3,812,530)	(3,324,539)
Increase in trade payables	(43,665,849)	(43,784,170)	(112,531,520)	(110,672,641)
Other assets	-	-	-	-
Other liability	-	-	-	-
Cash generated by/(utilised in) operations	439,341,001	434,732,681	366,246,187	362,600,087

**34 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**

Cash and cash equivalents included in the cash flow statement comprise the following

Bank balances and cash	75,813,667	70,703,174	6,295,610	5,766,622
Net cash and cash equivalents (net of bank overdrafts)	75,813,667	70,703,174	6,295,610	5,766,622

**ILENBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2018

GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
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2,017

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL  
35 EXPENDITURE DISALLOWED**

**35.1 Unauthorised expenditure**

**Reconciliation of unauthorised expenditure**

Balance brought forward	22,845,946	22,845,946		
Unauthorised expenditure current year			40,409,739	40,409,739
Certified as irrecoverable and written off by council in terms of MFMA section 32	(8,099,138)	(8,099,138)	(17,563,793)	(17,563,793)
Balance carried forward	14,746,808	14,746,808	22,845,946	22,845,946

**Incident**

This expenditure relates to the implementation of Lower Thukela Bulk Water Supply Scheme (LTBWSS) which is funded through the RBIG from the Department of Water and Sanitation. The initial allocation for the financial year was R156ml and was later cut back to R140ml. The cut back was factored in the adjustment budget, however at the time the cut back was implemented commitments in terms of expenditure were already made (on the basis of R156ml) and thereby making it not easy to cut down on certain projects within the LTBWSS.

**Action taken**

Council has considered and noted items of unauthorised expenditure and has referred them to MPAC for further scrutiny. Any further action will be taken upon MPAC's recommendation to Council.

**35.2 Fruitless and wasteful expenditure**

**Reconciliation of fruitless and wasteful expenditure**

Balance brought forward	523,114	523,114	-	-
Fruitless and wasteful expenditure current year	135,311	76,804	513,114	513,114
Certified as irrecoverable and written off by Council in terms of MFMA section 32/Recovered from responsible officials	(581,620)	(523,114)	10,000	10,000
Balance carried forward	78,804	76,804	523,114	523,114

**Incident**

Interest levied by SEMBICORP siza water on late payment of invoices in respect of free basic services. the delay in payment of these invoices was due to a long standing dispute on the method of billing for free basic services

Interest levied by KwaDukuza Local Municipality on late payment of electricity accounts

**Action taken**

The municipality is in the process of implementing measures that are aimed at turning around the current status of municipal finances. The primary objective is to ensure financial sustainability and healthy liquidity of the municipality

Council has considered and noted items of fruitless and wasteful expenditure and has referred them to MPAC for further scrutiny. Any further action will be taken upon MPAC's recommendation to Council.

**35.3 Irregular expenditure**

**Reconciliation of irregular expenditure**

Balance brought forward	8,551,038	8,523,373		
Irregular expenditure current year	45,053,167	45,025,027	8,551,038	8,523,373
Certified by council as irrecoverable and written off in terms of MFMA section 32	(198,538)	(142,713)	-	-
	53,405,667	53,405,687	8,551,038	8,523,373

**Incident**

This relates to expenditure incurred on Isidingo security services. the contract expired in July 2016 after which contract extensions were applied until the allowed period of 6 months was exhausted. the municipality has since embarked on procurement processes and these are now at bid evaluation stage

It relates to expenditure incurred on the implementation of Rural Roads Assets Management System (RRAMS). The Consultants were appointed through SCM Regulation 32 where it later transpired that proper bid processes was not tight enough making the process of Section 32 irregular.

It relates to the expenditure incurred on Wesbank for the provision of fleet as well as fuel cards linked to municipal fleet. The contract expired in July 2017 after which contract extensions were applied until the allowed period of 6 months was exhausted. It is at final stages of the bidding process

Awards to the suppliers in service of the state relate to transactions that occurred before the finalization of audit of which payments were made audit was completed, which the entity was liable to pay.

**35.4 Deviations**

Deviations were approved in terms of regulation 36 of the Supply Chain Management Policy

Total value	15,987,804	8,704,454	12,617,714	12,579,551
	15,987,804	8,704,454	12,617,714	12,579,551

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE</b>				
<b>36 MANAGEMENT ACT</b>				
<b>36.1 Contributions to organised local government</b>				
Opening balance	366,198	366,198	370,111	370,111
Council subscriptions	1,945,687	1,945,687	1,945,687	1,945,687
Amount paid - current	(1,945,687)	(1,945,687)	(1,949,600)	(1,949,600)
Adjustment	(366,198)	(366,198)	-	-
Balance unpaid (Included in payables)	-	-	366,198	366,198
<b>36.2 Audit fees</b>				
Opening balance	-	-	-	-
Current year audit fee	2,941,331	2,666,537	2,729,817	2,216,278
Amount paid - current year	(2,941,331)	(2,666,537)	(2,729,817)	(2,216,278)
Balance unpaid (Included in payables)	-	-	-	-
<b>36.3 VAT</b>				
VAT input receivables and VAT output payables are shown in note 13. All VAT returns have been submitted by the due date throughout the year				
<b>36.4 PAYE and UIF</b>				
Opening balance	4,539,289	4,539,289	2,355,790	2,225,007
Current year payroll deductions	33,008,287	29,932,287	29,404,810	28,765,009
Amount paid - current year	(30,317,755)	(27,492,760)	(24,996,303)	(22,225,719)
Amount paid - previous years	(4,359,289)	(4,359,289)	(2,225,007)	(2,225,007)
Balance unpaid (Included in payables)	2,868,532	2,619,507	4,539,289	4,539,289
The balance represents PAYE and UIF deducted in June 2018 payroll. This amount was paid in July 2018				
<b>36.5 Pension and Medical Aid Deductions</b>				
Opening balance	3,672,283	3,672,283	3,147,774	3,147,774
Current year payroll deductions and Council Contributions	43,657,676	42,309,557	42,458,129	42,458,129
Amount paid - current year	(40,084,788)	(38,829,736)	(38,785,846)	(38,785,846)
Amount paid - previous years	(3,672,283)	(3,672,283)	(3,147,774)	(3,147,774)
Balance unpaid (Included in payables)	3,572,868	3,479,821	3,672,283	3,672,283
The balance represents Pension & Medical aid deducted in June 2018 payroll. These amounts were paid in July 2018 except for RA which was paid in the month of deduction which is June 2018				
<b>36.6 Councilor's arrear consumer accounts</b>				
as at 30 June 2018				
Van Wyke GJ	142	142	-	-
Councilor R. Singh	-	-	19,030	19,030
Councilor MD Mpofo	-	-	1,159	1,159
Total Councilor Arrear Consumer Accounts	142	142	20,189	20,189
<b>36.7 Material losses</b>				
<b>36.7.1 Asset impairment losses</b>				
The current year impairment is a result of ageing infrastructure due to the impact of drought	116,662	116,662	(5,713,665)	(5,713,665)
<b>36.7.2 Debt impairment losses</b>				
Although the revenue collection has slightly improved compared to the prior year, council has incurred material debt impairment losses written off against the provision for bad debts. This is mainly as a result of restricted inactive accounts that are accumulating interest with no corresponding payments, pensioner accounts and deceased consumer accounts that are accumulating interest. This write-off has resulted in a decrease in consumer debtors	(3,015,207)	(3,015,207)	(26,476,668)	(26,476,668)

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2018

		GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
<b>36.8</b>	<b>Percentage distribution</b>				
Distribution Losses					
Units lost (kilolitres)					
Illegal connections and other	25%	2,484,472	2,484,472	5,913,722	5,913,722
Main leaks	53%	5,225,779	5,225,779	3,592,437	3,592,437
Reservoir overflows	0%	37,327	37,327	25,660	25,660
Service connection leaks	22%	2,202,293	2,202,293	1,513,956	1,513,956
Units lost (kilolitres)	100%	9,949,871	9,949,871	11,045,775	11,045,775
Units lost (sales price per kilolitre - rands)		83,360,505	83,360,505	97,438,986	97,438,986
Units lost (purchase price per kilolitre - rands)		40,482,580	40,482,580	39,631,730	39,631,730
Units lost (percentage)		46.80%	46.80%	52%	1

The distribution losses are mainly due to illegal connections, main leaks (ageing infrastructure), reservoir overflows and service connection leaks. A five year strategic master plan for the reduction of non revenue water has been adopted by the municipality to address this problem.

Non-Compliance with Section 55 (2) of the Municipal Finance Management Act -

**36.9** Payments of creditors within 30 days from date of receipt

	2017/18	2017/18	2016/17	2016/17
Number of days unpaid creditors at 30 June	39 days	39 days	54 days	54 days
Average number of days unpaid creditors during the year	93 days	93 days	60 days	60 days

The inability to pay creditors on time is a direct result of the cash flow challenges currently being faced by the municipality and this is linked to the broader financial viability challenge. Council adopted a financial turnaround implementation plan in December 2016 which is currently being implemented. In terms of the financial turnaround strategy, it is envisaged that the municipality will be able to turn the current undesirable financial situation in a period of three years with effect from December 2018. There are improvements in the efficiency of paying creditors on time when comparing to the previous years. Although on average the longest it would have taken to pay creditors would be 93 days, in terms of the number of days calculated at year end, 39 days was reported at 30 June 2018 compared to 54 days in June 2017.

**36.10 Material Forex Losses**

Total Forex Liability as at 30 June 2018	0	0	0	-
Net Cumulative Forex Losses	-	-	78,247	78,247
Percentage losses	0%	0%	0%	-

The material forex losses arising from the Microsoft License forex liability was due to unexpected adverse fluctuations in the rand dollar exchange rate.

As at 30 June 2017, the rand to dollar exchange rate closed at spot rate of R 13.06. There was no liability as at 30 June 2018.

**37 CAPITAL COMMITMENTS**

**37.1** Commitments in respect of capital expenditure

- Approved and contracted for Infrastructure Community	512,284,023	512,284,023	242,515,409	242,515,409
- Approved but not yet contracted for Infrastructure	-	-	-	-
<b>Total</b>	<b>512,284,023</b>	<b>512,284,023</b>	<b>242,515,409</b>	<b>242,515,409</b>
This expenditure will be financed from:				
- External Loans	512,284,023	512,284,023	242,515,409	242,515,409
- Government Grants	-	-	-	-
- Own resources	-	-	-	-
- Funding still to be sourced	512,284,023	512,284,023	242,515,409	242,515,409

The amounts disclosed are VAT inclusive.



**LEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2018

	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
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**38 EMPLOYEE BENEFITS INFORMATION**

**38.1 Defined contribution plan**

The following are defined contribution plans: Natal Joint Municipal Pension Fund, National Treasury, Government Employee Pension Fund, SALA Pension Fund and Municipal Councilors Pension Fund. These contributions have been expensed.

**38.2 Other Long-term benefit plan**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

The independent valuers carried out a statutory valuation as at 30 June 2018

The principal actuarial assumptions used were as follows:

Discount rate per annum	8.64%	8.64%	8.64%	8.64%
Inflation rate	6.23%	6.23%	5.64%	5.64%
Net effective discount rate	2.27%	2.27%	2.06%	2.06%
Benchmark inflation (equal to salary inflation)	7.00%	7.00%	6.64%	6.64%
Average retirement age	63	63	65	65
Mortality during employment	SA 65-90 ultimate	SA 65-90 ultimate	SA 65-90 ultimate	SA 65-90 ultimate
Percentage of in-service members withdrawing before retirement:				
Age 20	40%	40%	40.00%	40.00%
Age 30	25%	25%	25.00%	25.00%
Age 40	12%	12%	12.00%	12.00%
Age 50	4%	4%	4.00%	4.00%
Age 55+	2%	2%	2.00%	2.00%

The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation.

9,526,817	9,526,817	8,258,766	8,258,766
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**EMPLOYEE BENEFITS (continued)**

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	8,258,766	8,258,766	7,977,161	7,977,161
Current service cost	734,000	734,000	745,220	745,220
Interest cost	708,216	708,216	659,601	659,601
Benefit payments	(588,879)	(588,879)	(1,014,311)	(1,014,311)
Actuarial (gains)/losses	424,714	424,714	(108,905)	(108,905)
Balance at end of year	9,526,817	9,526,817	8,258,766	8,258,766

The timing of the employee benefits is as follows:

Current portion of employee benefits	734,000	734,000	494,551	494,551
Employee benefit obligation	8,792,817	8,792,817	7,764,215	7,764,215
	9,526,817	9,526,817	8,258,766	8,258,766

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	734,000	734,000	745,220	745,220
Interest cost	708,216	708,216	659,601	659,601
Actuarial (gains)/losses	424,714	424,714	(108,905)	(108,905)
	1,866,930	1,866,930	1,295,916	1,295,916

**40 RELATED PARTIES**

Members of key management  
Controlled Municipal Entity

Section 57 managers  
Rembe District Municipality has a 100% holding in Rembe Development Enterprise (Pty) Ltd.

Compensation to councillors and other key management

Refer to note 23 & 24

Related party balances

Amount owed by Rembe Enterprise included in other payables - (848,686) - (526,467)

Amount by Rembe Enterprise included in other receivables 765,431

Related party transactions

Transactions with Enterprise Rembe Development Agency

Grant funding from the parent for LED projects - 24,888,488 - 21,488,383

Rental of offices - - -

Shared costs recoveries included in other income (e.g. lease of vehicles, cellphones) - 4,763,045 677,983

**40.1 STAFF MEMBER: R Pitso**

**Expenditure:**

Expenses for the year 11,107,282 11,107,282 - -

Nature of transaction:

The employee had a brother whom had a share in the company that was awarded a contract to provide capital project consulting service to the municipality

**40.2 STAFF MEMBER: SP Sibisi**

**Expenditure:**

Expenses for the year 50,145 50,145 - -

Nature of transaction:

An employee had relations with a supplier whom provided services to the municipality

Total value of related parties

11,157,427	11,157,427	-	-
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ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY  
NOTES TO THE FINANCIAL STATEMENTS  
For the period ended 30 June 2018

	GROUP 2018 R	IOM 2018 R	GROUP 2017 R	IOM 2017 R
41 CONTINGENT LIABILITY				2,817
UMNGENI WATER   SPRING GROVE DAM CAPITAL UNIT CHARGES (CUC)	30,792,245	30,792,245		
<p>This is a historical matter where Umgenti water sanctioned construction of spring grove dam of which the construction costs were to be shared amongst its clients based on the principle of cross subsidization. Ilembe district municipality previously disputed this charge on the basis that there was no direct benefit since the scheme in question did not feed to the lines supplying water to the district. The matter had been referred to SALGA for mediation and SALGA recommended that all the municipalities benefiting from Umgenti water distribution systems should contribute (based on the cross subsidization principle) towards the construction costs of the spring grove dam but before doing so, an agreement must be entered between the two parties. Based on SALGA's recommendation, Ilembe District Municipal Council has subsequently rescinded the previous council decision not to contribute. In rescinding this decision, the accounting officer was then mandated to facilitate signing of agreement with Umgenti water which should take into consideration reversing all previous charges, incorporating all payments previously made and determining the future payment plan. At the time of concluding compilation of the annual financial statements, the matter was still under discussions with Umgenti water in terms of finalizing the agreement.</p> <p>On the balance of probabilities, taking into consideration that in principle the municipality has agreed to contribute (pending finalization of contractual agreement), there is a future liability at reporting date (i.e. 30 June 2018). It is therefore on this basis that a contingent liability in respect of Umgenti water capital unit charges towards the construction of the spring grove dam is disclosed in the annual financial statements for the year ended 30 June 2018.</p>				
				(9,808,065)
Contingent liability based on Umgenti water claims submitted up to 30 June 2018	30,792,245	30,792,245		(4,042,179)

## 42 RISK MANAGEMENT

### 42.1 Maximum credit risk exposure

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Consumer debtors	273,390,840	273,390,840	229,180,297	229,180,297
Other debtors	36,198,724	36,172,374	27,423,456	27,423,456
	309,589,564	309,563,213	256,603,753	256,603,753
Ageing of consumers				
Current (0 - 30 days)	12,699,325	12,699,325	10,839,809	10,839,809
31 - 60 Days	18,990,450	18,990,450	7,933,309	7,933,309
61 - 90 Days	11,347,639	11,347,639	7,296,188	7,296,188
91 - 120 Days	7,264,472	7,264,472	6,820,599	6,820,599
121 - 365 Days	14,185,970	14,185,970	8,919,511	8,919,511
+ 365 Days	208,902,984	208,902,984	189,370,883	189,370,883
Total	273,390,840	273,390,840	229,180,297	229,180,297
Less: Provision for bad debts	(186,559,714)	(186,559,714)	(144,859,064)	(144,859,064)
Net consumer debtors	86,831,126	86,831,126	84,321,232	84,321,232
Cash and cash equivalents	75,813,657	70,703,174	6,295,610	5,766,622
Other investments	27,286,429	27,286,429	25,809,873	25,809,873
	103,100,098	97,989,604	32,105,483	31,676,495

These balances represent the maximum exposure to credit risk.

### 42.2 Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipalities approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the municipalities reputation.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipalities liability are backed by appropriate assets and it has significant liquid resources.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within a year	Between 2 to 5 years	Total
2018			
Gross finance lease obligations	1,054,962	1,957,053	3,012,015
Borrowings	7,164,483	72,831,417	80,015,900
Trade and other payables	206,295,741	-	206,295,741
Other	734,000	8,792,617	9,526,617
	215,249,185	83,601,287	298,850,473
		Between 2 to 5 years	Total
2017			
Gross finance lease obligations	14,124,319	-	14,124,319
Borrowings	3,908,688	79,373,305	83,281,994
Trade and other payables	235,262,999	-	235,262,999
Other	494,551	8,045,620	8,540,171
	253,790,557	87,418,925	341,209,483

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2018

	GROUP 2018 R	IDM 2018 R	GROUP 2017 R	IDM 2017 R
<b>42.3 Interest rate risk</b>				
The Municipality is not exposed to interest rate risk on its financial liabilities. All of the Municipality's interest bearing external loan facilities are fixed interest loans.				
The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.				
The Municipality is exposed to fairvalue interest rate on its external loan facilities, which are all fixed interest rates.				
At year end, financial instruments exposed to interest rate risk were as follows:				
Cash and cash equivalents	75,813,667	70,703,174	6,295,610	5,766,622
Other investments	27,286,429	27,286,429	25,809,873	25,809,873
Gross finance lease obligations	3,012,015	3,012,015	14,124,319	14,124,319
Borrowings	80,015,900	80,015,900	84,848,857	84,848,857
Consumer debtors	273,390,840	273,390,840	229,180,297	229,180,297

**42.4 Foreign Currency Risk**

Municipality has a three year contract for the deployment of Microsoft share point with Microsoft.

At year end

Foreign exchange losses were:	-	-	78,247	78,247
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Foreign exchange liability was:	-	-	-	-
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Sensitivity analysis:

**43 OPERATING LEASES**

The future minimum lease payments payable under operating leases for the actual liability are as follows:

No later than 1 year	32,433	9,802,137
Later than 1 year and no later than 5 years		7,980,146
	<u>32,433</u>	<u>17,782,283</u>

The entity is the lessee of office property at Warner House, the lease is for 2 years and it commenced on the 1 September 2014 and terminate on the 31 August 2016 The lease has been extended to January 2017

**44 TRANSFER OF AGRICULTURAL PROJECTS**

The process of transferring the following agricultural assets presently disclosed as PPE Agriculture, Biological Assets and Projects Under Construction will begin:

Bio Diesel	5,777,329	5,777,329
North Coast Vineyards	391,400	1,174,400
Agri Processing Facilities	10,107,236	11,924,407
Moringa Plantations		-
	<u>16,275,965</u>	<u>18,876,136</u>

Special Purpose Vehicles (SPVs) will be established and the assets will be transferred into these SPVs

In anticipation of the transfer of assets the following companies have been registered

Rocabex (Pty) Ltd, Rocablox (Pty) Ltd and Rocabix (Pty) Ltd

Bank accounts have been opened in the names of the three companies

To date due to the assets having not been transferred to the SPVs the above companies have not traded apart from the proceeds from the sale of agricultural produce being deposited into the bank account of Rocabex (Pty) Ltd.

An agreement was entered into on 28 September 2012 between Enterprise Iembe and Cobion Trading 506 CC Trading as Romac Farm and Black Balance Projects (Pty) Ltd in respect of the traditional arrangements in relation to the operation of the Iembe Agri-Hubs. Romac Farm pulled out of the said agreement on 28 February 2014 due to operational issues. The entity is busy with ownership and sustainability models for the Agri Hubs process before transfers are done.

A service provider has been appointed to report recommendations on the best model to transfer these assets to communities.

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**APPENDIX A**  
**AUDITED SCHEDULE OF EXTERNAL LOANS**  
as at 30 June 2018

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 1 July 2017		Received during the period	Interest Paid during the period		Interest Accrued at Year End	Redeemed / written off during the period		Balance at 30 June 2018	
			R	R		R	R		R	R	R	R
LONG-TERM LOANS												
ABSA Bank @10.65% Development Bank of SA @10.80%		2025	31,666,862	-	-	2,415,945			770,300		30,796,562	
		9/30/2025	53,281,993	2,110,780		2,239,690			8,173,417		49,219,337	
Total long-term loans			84,848,856	2,110,760		4,655,635		-	6,943,717		80,015,899	
ANNUITY LOAN												
Development Bank of SA @16.50% Development Bank of SA @13.45%	13527					-			-		-	
	11578	2014							-		-	
Total capital creditors			-	-	-	-	-	-	-	-	-	-
TOTAL EXTERNAL LOANS												
			84,848,856	2,110,760		4,655,635		-	6,943,717		80,015,899	

LEMBE DISTRICT MUNICIPALITY  
APPENDIX B  
AUDITED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
As at 30 June 2018

Cost/Revaluation	Accumulated Depreciation									
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Transfers	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals
R	R	R	R	R	R	R	R	R	R	R
Land	3,242,908	-	-	-	-	-	3,242,908	-	-	-
	3,242,908	-	-	-	-	-	3,242,908	-	-	-
Buildings	19,413,153	53,247	(308,086)	-	13,874,638	-	33,834,953,22	(8,803,238)	(1,188,514)	284,718
Agriculture	24,733,383	-	-	-	-	-	24,733,383,45	(6,570,836)	( 888 186)	-
Biological Assets	-	-	-	-	-	-	-	-	-	-
Infrastructure	142,583,883	-	(1,699,463)	-	88,807,922	-	210,792,342	(55,755,254)	(9,078,978)	315,743
Sewerage Mains & Purification	1,584,041,001	-	(1,913,973)	-	484,625,892	-	2,027,652,719	(980,189,312)	(65,142,611)	1,590,352
Water Mains & Purification	938,942,311	-	-	-	(548,408,252)	302,431,862	692,965,921	-	-	-
Under construction	2,846,487,194	-	(3,613,438)	-	(11,874,638)	302,431,862	2,831,410,862	(438,954,586)	(74,219,589)	1,908,094
	2,835,058,649	53,247	(3,919,522)	-	(0)	302,431,862	2,892,422,237	(451,428,640)	(78,344,288)	2,180,812
Total carried forward	2,835,058,649	53,247	(3,919,522)	-	(0)	302,431,862	2,892,422,237	(451,428,640)	(78,344,288)	2,180,812

LEMBE DISTRICT MUNICIPALITY  
APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
As at 30 June 2018

Cost/Revaluation	Accumulated Depreciation									
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Transfers	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals
R	R	R	R	R	R	R	R	R	R	R
Land	3,242,908	-	-	-	-	-	3,242,908	-	-	-
	3,242,908	-	-	-	-	-	3,242,908	-	-	-
Buildings	19,413,153	53,247	(308,086)	-	13,874,638	-	33,834,953,22	(8,803,238)	(1,188,514)	284,718
Agriculture	24,733,383	-	-	-	-	-	24,733,383,45	(6,570,836)	( 888 186)	-
Biological Assets	-	-	-	-	-	-	-	-	-	-
Infrastructure	142,583,883	-	(1,699,463)	-	88,807,922	-	210,792,342	(55,755,254)	(9,078,978)	315,743
Sewerage Mains & Purification	1,584,041,001	-	(1,913,973)	-	484,625,892	-	2,027,652,719	(980,189,312)	(65,142,611)	1,590,352
Water Mains & Purification	938,942,311	-	-	-	(548,408,252)	302,431,862	692,965,921	-	-	-
Under construction	2,846,487,194	-	(3,613,438)	-	(11,874,638)	302,431,862	2,831,410,862	(438,954,586)	(74,219,589)	1,908,094
	2,835,058,649	53,247	(3,919,522)	-	(0)	302,431,862	2,892,422,237	(451,428,640)	(78,344,288)	2,180,812
Total brought forward	2,835,058,649	53,247	(3,919,522)	-	(0)	302,431,862	2,892,422,237	(451,428,640)	(78,344,288)	2,180,812
Other Assets	4,528,984	290,222	(944,050)	(71,643)	-	-	3,792,122,14	(3,187,687)	(545,085)	88,039
Office Equipment	2,393,182	108,787	(890,586)	(339,222)	-	-	1,473,162	(1,881,227)	(314,984)	281,888
Machinery & Equipment	8,871,882	-	(208,854)	-	-	-	8,413,228	(1,888,390)	(1,082,173)	-
Transport Assets	12,882,806	118,304	(2,526,465,68)	(251,302)	-	-	10,333,141,44	(5,764,813)	(1,085,918)	213,432
Computer Equipment	28,534,643	508,813	(4,389,735)	(882,187)	-	-	24,611,653	(12,712,088)	(3,028,186)	663,439
	41,055,594	3,328,957	-	(41,025,594)	-	-	3,358,957	(38,720,830)	(1,935,840)	48,732,581
Finance Lease Assets	41,055,594	3,328,957	-	(41,025,594)	-	-	3,358,957	(38,720,830)	(1,935,840)	48,732,581
Other Assets	2,783,448,886	3,891,117	(8,288,268)	(41,887,781)	(0)	302,431,862	3,018,762,847	(803,851,577)	(81,310,288)	41,296,021
Total	2,783,448,886	3,891,117	(8,288,268)	(41,887,781)	(0)	302,431,862	3,018,762,847	(803,851,577)	(81,310,288)	41,296,021



LEMBE DISTRICT MUNICIPALITY  
APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2017

	Opening Balance R	Additions R	Change in policy/prior year errors	Cost / Revaluation Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Change in policy/prior year errors	Accumulated Depreciation Change in estimate	Reversal of impairment loss	Impairment loss R	Closing Balance R	Carrying Value R
Land	3,242,908	-	-	-	-	3,242,908	-	-	-	-	-	-	-	-	3,242,908
<b>Buildings</b>	<b>18,594,342</b>	<b>810,811</b>	-	-	-	<b>19,413,153</b>	<b>(8,114,644)</b>	<b>(788,594)</b>	-	-	-	-	-	<b>(8,903,238)</b>	<b>10,509,915</b>
Agriculture	24,475,905	303,836	-	(48,347)	-	24,733,393	(7,836,974)	(880,142)	27,110	2,278,323	-	-	(58,152)	(8,570,838)	18,162,555
<b>Biological Assets</b>															
Infrastructure	142,306,089	-	-	(38,200)	313,984	142,583,883	(49,974,176)	(5,812,808)	34,221	(3,635,724)	-	-	(3,380)	(55,755,254)	86,828,629
Sewerage Mains & Purification	1,411,577,073	-	-	(24,128)	153,398,057	1,564,941,001	(312,803,941)	(57,089,549)	22,428	(3,635,724)	-	-	(7,649,645)	(300,199,312)	1,184,741,689
Water Mains & Purification	738,459,421	-	-	-	(133,800,690)	354,349,580	938,942,314	(62,912,498)	57,847	(3,635,724)	-	-	(7,653,095)	(435,954,588)	909,842,311
Under construction	2,292,376,933	-	-	(60,329)	(198,649)	2,544,467,193	(362,776,117)	(84,681,224)	84,767	(1,357,401)	-	-	(7,712,157)	(451,428,640)	2,210,512,629
<b>Total carried forward</b>	<b>2,339,689,748</b>	<b>1,122,647</b>	-	(106,876)	<b>(198,649)</b>	<b>2,693,856,848</b>	<b>(378,726,735)</b>	<b>(84,681,224)</b>	<b>84,767</b>	<b>(1,357,401)</b>	-	-	<b>(7,712,157)</b>	<b>(451,428,640)</b>	<b>2,242,428,012</b>

LEMBE DISTRICT MUNICIPALITY  
APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2017

	Opening Balance R	Additions R	Change in policy/prior year errors	Cost / Revaluation Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Change in policy/prior year errors	Accumulated Depreciation Change in estimate	Reversal of impairment loss	Impairment loss R	Closing Balance R	Carrying Value R
Other Assets	4,357,665	129,813	-	(159,132)	198,649	4,528,994	(2,939,825)	(454,228)	196,683	39,600	-	-	-	(3,197,667)	1,326,327
Office Equipment	2,389,919	135,562	-	(131,336)	-	2,395,162	(1,826,302)	(162,681)	127,756	-	-	-	-	(1,861,227)	511,935
Machinery & Equipment	3,635,907	6,097,138	-	(1,011,162)	-	8,621,882	(2,088,769)	(582,558)	802,935	-	-	-	-	(1,868,390)	6,753,491
Transport Assets	13,327,251	980,663	102,174	(1,417,512)	-	12,992,808	(6,522,258)	(840,084)	1,415,276	(17,747)	-	-	-	(5,764,813)	7,227,782
Computer Equipment	23,609,741	7,343,224	102,174	(2,719,145)	-	28,534,843	(13,377,253)	(1,859,546)	2,592,646	22,053	-	-	-	(12,712,098)	15,822,845
<b>Finance Lease Assets</b>															
Other Assets	40,590,454	365,140	-	-	-	41,055,594	(25,550,948)	(14,009,891)	-	-	-	-	-	(38,720,639)	1,334,755
<b>Total</b>	<b>2,402,869,943</b>	<b>8,831,011</b>	<b>102,174</b>	<b>(2,825,821)</b>	<b>0</b>	<b>2,783,446,848</b>	<b>(417,757,937)</b>	<b>(80,610,661)</b>	<b>2,687,405</b>	<b>(1,335,348)</b>	-	-	<b>(7,712,157)</b>	<b>(503,861,871)</b>	<b>2,289,585,312</b>

**Accumulated Depreciation**

Est

**ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY**  
**APPENDIX D**

**UNAUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
**For the period ended 30 June 2018**

	2017	2017	2017	2018	2018	2018
	Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
	R	R	R	R	R	R
	44,999,714	57,490,098	(12,490,384)	19,372,632	16,383,161	2,989,471
Executive & Council	132,738,407	120,076,223	12,662,184	136,253,705	288,900,825	(152,647,120)
Finance & Admin	5,552,759	24,470,773	(18,918,014)	368,338,005	82,072,640	286,265,365
Planning & Development	-	1,725,787	(1,725,787)	41,582,653	27,781,445	13,801,209
Community & Social Services	167,199,610	28,254,031	138,945,579	150,410,160	31,408,930	119,001,230
Waste Management	578,909,058	367,875,742	212,033,315	265,462,911	229,697,368	35,765,543
Water	930,399,547	598,892,654	330,506,891	981,420,066	676,244,369	305,175,696
Total						

## GLOSSARY

Accessibility Indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability Documents	Documents used by executive authorities to give <i>"full and regular"</i> reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe <i>"what we do"</i> .
Activities	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal Service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution	The distribution of capacity to deliver services.



<b>Indicators</b>	
<b>Financial Statements</b>	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
<b>General Key performance indicators</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan (IDP)</b>	The Integrated Development Plan is a plan is a five year plan in which local government is expected to compile to determine the developmental needs of the community. The projects within the IDP are also linked to a municipal budget.
<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	<p>The final products, or goods and services produced for delivery.</p> <p>Outputs may be defined as "what we produce or deliver". An output is</p> <p>a concrete achievement (i.e. a product such as a passport, an action</p> <p>such as a presentation or immunization, or a service such as</p>



	processing an application) that contributes to the achievement of a Key Result Area.
Outputs	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by

Plan	vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>

## **APPENDICES:**

ORGANISATIONAL SCORECARD FOR THE YEAR 2017/2018

OFFICE OF THE MM: 2017/2018 SERVICE DELIVERY AND BUDGET  
IMPLEMENTATION PLAN

TECHNICAL SERVICES DEPARTMENT: 2017/2018 SERVICE DELIVERY AND  
BUDGET IMPLEMENTATION PLAN

FINANCE DEPARTMENT: 2017/2018 SERVICE DELIVERY AND BUDGET  
IMPLEMENTATION PLAN

CORPORATE SERVICE DEPARTMENT: 2017/2018 SERVICE DELIVERY AND  
BUDGET IMPLEMENTATION PLAN

COMMUNITY SERVICES DEPARTMENT: 2017/2018 SERVICE DELIVERY AND  
BUDGET IMPLEMENTATION PLAN

ENTERPRISE ILEMBE: 2017/2018 SERVICE DELIVERY AND BUDGET  
IMPLEMENTATION PLAN

ENTERPRISE ILEMBE 2017/2018 ANNUAL REPORT

ENTERPRISE ILEMBE: 2017/2018 AUDITED ANNUAL FINANCIAL STATEMENTS

## **ADDITIONAL AFTER PUBLIC COMMENTS:**

COLLECTION RATE FOR 2017-18 FINANCIAL YEAR

YEAR CAPITAL EXPENDITURE PLAN (2016-2019) FOR ILEMBE DISTRICT

ILEMBE DISTRICT DEBT IMPAIRMENT REPORT (30-06-2018)



OUTCOME	MATERIAL	SP	SP OBJECTIVE	SPA	BACKLOG	BASELINE	SP's	UNIT OF MEASURE	ANNUAL ACTUAL REPORT-2017	ANNUAL TARGET REPORT-2017	ANNUAL ACTUAL REPORT-2018	REASON FOR VARIANCE / COMMENTS	REMARKS TAKEN TO IMPROVE PERFORMANCE/ COLLECTIVE MEASUREMENT	PERFORMANCE REPORT	PERFORMANCE REPORT
Basic Service Delivery	SP1	To provide sustainable infrastructure that will enhance water services	To improve customer satisfaction and reduce water service complaints	To meet customer expectations	To meet customer expectations	To meet customer expectations	To meet customer expectations	To meet customer expectations	To meet customer expectations	To meet customer expectations	To meet customer expectations	To meet customer expectations	To meet customer expectations	To meet customer expectations	To meet customer expectations
Financial Viability and Management	SP2	To ensure financial sustainability and improve cash flow	To ensure financial sustainability and improve cash flow	To ensure financial sustainability and improve cash flow	To ensure financial sustainability and improve cash flow	To ensure financial sustainability and improve cash flow	To ensure financial sustainability and improve cash flow	To ensure financial sustainability and improve cash flow	To ensure financial sustainability and improve cash flow	To ensure financial sustainability and improve cash flow	To ensure financial sustainability and improve cash flow	To ensure financial sustainability and improve cash flow	To ensure financial sustainability and improve cash flow	To ensure financial sustainability and improve cash flow	To ensure financial sustainability and improve cash flow
Infrastructure Development	SP3	To develop and maintain infrastructure that will enhance water services	To develop and maintain infrastructure that will enhance water services	To develop and maintain infrastructure that will enhance water services	To develop and maintain infrastructure that will enhance water services	To develop and maintain infrastructure that will enhance water services	To develop and maintain infrastructure that will enhance water services	To develop and maintain infrastructure that will enhance water services	To develop and maintain infrastructure that will enhance water services	To develop and maintain infrastructure that will enhance water services	To develop and maintain infrastructure that will enhance water services	To develop and maintain infrastructure that will enhance water services	To develop and maintain infrastructure that will enhance water services	To develop and maintain infrastructure that will enhance water services	To develop and maintain infrastructure that will enhance water services

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[illegible]







[illegible]



286



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NATIONAL MPN	OP REF NO.	OP OBJECTIVE	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BASIS	ANNUAL TARGET 2016-2017	ANNUAL ACTUAL 2016-2017	ANNUAL TARGET 2017-2018	ANNUAL ACTUAL 2017-2018	ADJUSTED BUDGET	REASON FOR VARIANCE / COMMENTS	MEASURES TAKEN TO IMPROVE CORRECTIVE MEASURE	PMS COMMENTS	EVIDENCE REF. NUMBER	EVIDENCE	PERFORMANCE SYMBOL
BASIC SERVICE DELIVERY	6051	To ensure access to public water for domestic consumption and support local economic development	To provide sustainable infrastructure that will enable water services	Quality of Water Supply (Rural/Urban)	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	In process of reviewing the project scope due to lower interest, therefore project costs reduced.			54	Y, in Q3	⊗
					Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Contract has been awarded and construction started in March 2018. The project is ahead of target due to repudiation of CPO's and employment of more resources.			55	Y, in Q1 Y, in Q2 Y, in Q3	⊗ ⊗ ⊗
					Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R				56	Y	⊗
					Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R				57	Y, in Q1 Y, in Q2 Y, in Q3	⊗ ⊗ ⊗
					Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R				58	Y, in Q1 Y, in Q2 Y, in Q3	⊗ ⊗ ⊗
					Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R				59	Y, in Q1 Y, in Q2 Y, in Q3	⊗ ⊗ ⊗
					Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R				60	Y, in Q1 Y, in Q2 Y, in Q3	⊗ ⊗ ⊗
					Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R				61	Y, in Q1 Y, in Q2 Y, in Q3	⊗ ⊗ ⊗
					Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R				62	Y, in Q1 Y, in Q2 Y, in Q3	⊗ ⊗ ⊗
					Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R	Expenditure - R				63	Y, in Q1 Y, in Q2 Y, in Q3	⊗ ⊗ ⊗
BASIC SERVICE DELIVERY																		



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NATIONAL ID	OP REF NO.	OP OBJECTIVE	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BASELINE	ANNUAL TARGET 2016-2017	ANNUAL ACTUAL 2016-2017	ANNUAL TARGET 2017-2018	ANNUAL ACTUAL 2017-2018	ADJUSTED BUDGET	REASON FOR VARIANCE / COMMENTS	MEASURES TAKEN TO IMPROVE CORRECTIVE MEASURE	PMS COMMENTS	EVIDENCE REF. NUMBER	EVIDENCE	PERFORMANCE SYMBOL
BASIC SERVICE DELIVERY	B001	To ensure access to public water for all households and support local economic development	To provide sustainable water supply and sanitation services	Water Supply - Sanitation	Phase 1 - Percentage completion by deadline	Percentage	Stage 4 - 50%	Stage 4 - 50% by June 2017	Stage 4 - 50%	Stage 4 - 100% by June 2018	100%	R 3, 171, 171	Consistent with all design and project expected to go out to tender next financial year			76	Y-In Q3	⊕
	B002	To ensure access to basic sanitation for all households and support local economic development	To provide sustainable water supply and sanitation services	Water Supply - Sanitation	Phase 2 - Percentage completion by deadline	Percentage	Stage 4 - 50%	Stage 4 - 50% by June 2017	Stage 4 - 50%	Stage 4 - 100% by June 2018	100%	R 3, 171, 171	Consistent with all design and project expected to go out to tender next financial year			77	Y	⊗
BASIC SERVICE DELIVERY	B003	To ensure access to basic sanitation for all households and support local economic development	To provide sustainable water supply and sanitation services	Water Supply - Sanitation	Phase 3 - Percentage completion by deadline	Percentage	Stage 4 - 50%	Stage 4 - 50% by June 2017	Stage 4 - 50%	Stage 4 - 100% by June 2018	100%	R 3, 171, 171	Consistent with all design and project expected to go out to tender next financial year			78	Y	⊕
	B004	To ensure access to basic sanitation for all households and support local economic development	To provide sustainable water supply and sanitation services	Water Supply - Sanitation	Phase 4 - Percentage completion by deadline	Percentage	Stage 4 - 50%	Stage 4 - 50% by June 2017	Stage 4 - 50%	Stage 4 - 100% by June 2018	100%	R 3, 171, 171	Consistent with all design and project expected to go out to tender next financial year			79	Y	⊕
BASIC SERVICE DELIVERY	B005	To ensure access to basic sanitation for all households and support local economic development	To provide sustainable water supply and sanitation services	Water Supply - Sanitation	Phase 5 - Percentage completion by deadline	Percentage	Stage 4 - 50%	Stage 4 - 50% by June 2017	Stage 4 - 50%	Stage 4 - 100% by June 2018	100%	R 3, 171, 171	Consistent with all design and project expected to go out to tender next financial year			80	Y	⊕
	B006	To ensure access to basic sanitation for all households and support local economic development	To provide sustainable water supply and sanitation services	Water Supply - Sanitation	Phase 6 - Percentage completion by deadline	Percentage	Stage 4 - 50%	Stage 4 - 50% by June 2017	Stage 4 - 50%	Stage 4 - 100% by June 2018	100%	R 3, 171, 171	Consistent with all design and project expected to go out to tender next financial year			81	Y	⊕
BASIC SERVICE DELIVERY	B007	To ensure access to basic sanitation for all households and support local economic development	To provide sustainable water supply and sanitation services	Water Supply - Sanitation	Phase 7 - Percentage completion by deadline	Percentage	Stage 4 - 50%	Stage 4 - 50% by June 2017	Stage 4 - 50%	Stage 4 - 100% by June 2018	100%	R 3, 171, 171	Consistent with all design and project expected to go out to tender next financial year			82	Y	⊕
	B008	To ensure access to basic sanitation for all households and support local economic development	To provide sustainable water supply and sanitation services	Water Supply - Sanitation	Phase 8 - Percentage completion by deadline	Percentage	Stage 4 - 50%	Stage 4 - 50% by June 2017	Stage 4 - 50%	Stage 4 - 100% by June 2018	100%	R 3, 171, 171	Consistent with all design and project expected to go out to tender next financial year			83	Y	⊕
BASIC SERVICE DELIVERY	B009	To ensure access to basic sanitation for all households and support local economic development	To provide sustainable water supply and sanitation services	Water Supply - Sanitation	Phase 9 - Percentage completion by deadline	Percentage	Stage 4 - 50%	Stage 4 - 50% by June 2017	Stage 4 - 50%	Stage 4 - 100% by June 2018	100%	R 3, 171, 171	Consistent with all design and project expected to go out to tender next financial year			84	Y	⊕
	B010	To ensure access to basic sanitation for all households and support local economic development	To provide sustainable water supply and sanitation services	Water Supply - Sanitation	Phase 10 - Percentage completion by deadline	Percentage	Stage 4 - 50%	Stage 4 - 50% by June 2017	Stage 4 - 50%	Stage 4 - 100% by June 2018	100%	R 3, 171, 171	Consistent with all design and project expected to go out to tender next financial year			85	Y	⊕



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NATIONAL NO.	DP REF NO.	DP OBJECTIVE	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BASELINE	ANNUAL TARGET 2016-2017	ANNUAL ACTUAL 2016-2017	ANNUAL TARGET 2017-2018	ANNUAL ACTUAL 2017-2018	REASON FOR VARIANCE / COMMENTS	ADJUSTED BUDGET	EVIDENCE REF. NUMBER	EVIDENCE	MEASURES TAKEN TO IMPROVE PERFORMANCE/ CORRECTIVE MEASURE	PMO COMMENTS	PERFORMANCE SYMBOL		
BASIC SERVICE DELIVERY				Manhole/baseline a) Stage 1 - Percentage completion by deadline b) Stage 2 - Percentage completion by deadline		a) Stage 1 - New Measure b) Stage 2 - New Measure	a) Stage 1 - 100% by June 2016 b) Stage 2 - 100% by June 2017	a) 100% b) 100%			A business plan has been submitted to DWS for funding approval. Once approved it obtained from DWS, the project will be continue to the next stages		106	a) Y- in Q2 b) Y- in Q2			a) b)		
	ES21	To ensure access to potable water for sustainable livelihoods and support local economic development	Water conservation/Water Demand Management reports	a) Number of reports prepared on Water conservation/Water Demand Management b) % reduction of unaccounted water (Rat 1 losses)	Number of reports prepared on Water conservation/Water Demand Management Percentage completion by deadline	a) 4 quarterly reports b) 100% by June 2016 c) 100% by June 2017 d) 100% by June 2018	a) 4 quarterly reports b) New Measure c) 29.3% by June 2016 d) 1% reduction from baseline	a) 3 b) 30% by June 2016 c) 1% reduction from baseline d) 100%			Non-Revenue Water volumes decreased by an average of 378 Ml/day thus the proportional percentage of Non-Revenue has decreased by 1.00 % compared to the previous financial year		107	a) Y- in Q2 b) Y- in Q2			a) b)		
				Expenditure a) Amount of Farm Rehabilitation (T8141/0814)	Rand Value Percentage	Expenditure - R 56 420 728	Expenditure - R 91 315 790	Expenditure - R 56 420 728	Expenditure - R 91 315 790	Expenditure - R 56 420 728	Expenditure - R 91 315 790		108	Y		New RPV & Out over-report budget			
				Stage 7 - Percentage completion by deadline	Rand Value Percentage	Expenditure - R 56 420 728	Expenditure - R 91 315 790	Expenditure - R 56 420 728	Expenditure - R 91 315 790	Expenditure - R 56 420 728	Expenditure - R 91 315 790		109	Y- in Q1					
				Expenditure a) House/Cluster b) Multi-dwelling c) Single-dwelling d) Standalone e) Standalone f) Standalone g) Standalone h) Standalone i) Standalone j) Standalone k) Standalone l) Standalone m) Standalone n) Standalone o) Standalone p) Standalone q) Standalone r) Standalone s) Standalone t) Standalone u) Standalone v) Standalone w) Standalone x) Standalone y) Standalone z) Standalone	Rand Value Percentage	Expenditure - R 56 420 728	Expenditure - R 91 315 790	Expenditure - R 56 420 728	Expenditure - R 91 315 790	Expenditure - R 56 420 728	Expenditure - R 91 315 790	Expenditure - R 56 420 728	Expenditure - R 91 315 790		110	Y			
			Water conservation/Water Demand Management reports	a) Number of reports prepared on Water conservation/Water Demand Management b) % reduction of unaccounted water (Rat 1 losses)	Number of reports prepared on Water conservation/Water Demand Management Percentage completion by deadline	a) 4 quarterly reports b) 100% by June 2016 c) 100% by June 2017 d) 100% by June 2018	a) 4 quarterly reports b) New Measure c) 29.3% by June 2016 d) 1% reduction from baseline	a) 3 b) 30% by June 2016 c) 1% reduction from baseline d) 100%			Non-Revenue Water volumes decreased by an average of 378 Ml/day thus the proportional percentage of Non-Revenue has decreased by 1.00 % compared to the previous financial year		111	a) Y- in Q1 b) Y- in Q1 c) Y- in Q1 d) Y- in Q1 e) Y- in Q1 f) Y- in Q1 g) Y- in Q1 h) Y- in Q1 i) Y- in Q1 j) Y- in Q1 k) Y- in Q1 l) Y- in Q1 m) Y- in Q1 n) Y- in Q1 o) Y- in Q1 p) Y- in Q1 q) Y- in Q1 r) Y- in Q1 s) Y- in Q1 t) Y- in Q1 u) Y- in Q1 v) Y- in Q1 w) Y- in Q1 x) Y- in Q1 y) Y- in Q1 z) Y- in Q1					
			Water conservation/Water Demand Management reports	a) Number of reports prepared on Water conservation/Water Demand Management b) % reduction of unaccounted water (Rat 1 losses)	Number of reports prepared on Water conservation/Water Demand Management Percentage completion by deadline	a) 4 quarterly reports b) 100% by June 2016 c) 100% by June 2017 d) 100% by June 2018	a) 4 quarterly reports b) New Measure c) 29.3% by June 2016 d) 1% reduction from baseline	a) 3 b) 30% by June 2016 c) 1% reduction from baseline d) 100%			Non-Revenue Water volumes decreased by an average of 378 Ml/day thus the proportional percentage of Non-Revenue has decreased by 1.00 % compared to the previous financial year		112	Y		New RPV & Out over-report budget			

DESCRIPTION OF STAGES 1 TO 7	
Stage 1	Planning studies, investigations & assessments; completed by deadline
Stage 2	Invitation completed by deadline
Stage 3	Concept & viability (Preliminary Design) completed by deadline
Stage 4	Quality development (Detailed Design)
Stage 5	Documentation & Procurement
Stage 6	Contract Admin. (Construction)
Stage 7	Close out

PERFORMANCE SYMBOLS				
TARGET MET	IN PROGRESS	NOT MET	N/A	TOTAL
☐	☐	☐		
4.00	4.5	0.0	0	4.00

WEIGHTINGS			
HIGH	MEDIUM	LOW	TOTAL
H	M	L	
1000	1		1000



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NATIONAL APPA	DP REF NUMBER	DP OBJECTIVE	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BASELINE	ANNUAL TARGET 2016-2017	ANNUAL ACTUAL 2016-2017	ANNUAL TARGET 2017-2018	ANNUAL ACTUAL 2017-2018	BUDGET	REASON FOR VARIANCE / COMMENTS	MEASURES TAKEN TO IMPROVE PERFORMANCE/ CORRECTIVE MEASURES	PMS COMMENTS	EVIDENCE REF. NUMBER	EVIDENCE	PERFORMANCE SYMBOL	WEIGHTINGS	RESPONSIBLE PERSON
FINANCIAL VIABILITY & MANAGEMENT			Supply chain management	Implementation of procurement management	Number	120 days	120 days	277 days	120 days	87 days	Salaries	Due to improvement of efficiency and reduction in the time of publication of SCOA (procurement expected)			21	Y	😊	H	Manager SCM
			Supply chain management	Contract management	Number	4	4	4	4	4	Salaries				22	Y	😊	H	Manager SCM
			Logistics management	Inventory management	Frequency & Time	a) 12 days b) 14 days c) 12 days	a) 12 days b) 14 days c) 12 days	a) 12 days b) 14 days c) 12 days	a) 12 days b) 14 days c) 12 days	a) 12 days b) 14 days c) 12 days	Salaries				23	Y Y Y	😊 😊 😊	H	Manager SCM
	PV1	To maintain a clean audit option	Budget and compliance monitoring	Monitor Clean Audit option	AG Report	a) 8 submitted to AG by 31 August 2016. Consolidated AGS submitted on 30 September 2016. AGS report submitted on 30 September 2016 and Clean Audit report submitted on 30 September 2016.	a) 8 submitted to AG by 31 August 2016. Consolidated AGS submitted on 30 September 2016. AGS report submitted on 30 September 2016 and Clean Audit report submitted on 30 September 2016.	a) 8 submitted to AG by 31 August 2016. Consolidated AGS submitted on 30 September 2016. AGS report submitted on 30 September 2016 and Clean Audit report submitted on 30 September 2016.	a) 8 submitted to AG by 31 August 2016. Consolidated AGS submitted on 30 September 2016. AGS report submitted on 30 September 2016 and Clean Audit report submitted on 30 September 2016.	a) 8 submitted to AG by 31 August 2016. Consolidated AGS submitted on 30 September 2016. AGS report submitted on 30 September 2016 and Clean Audit report submitted on 30 September 2016.	Salaries	Money used by the Municipality was not adequate and within 30 days as required by section 4(2)(a) of the MFMA	Control has been established, a 3 year financial benchmark plan is in place and a challenge plan is in place to address challenges around consumer debt collection, cutting down on budget and improving operational efficiencies.		24	Y	😊	H	Manager Budget & Compliance
	PV2	To ensure sound and effective asset management	Assets and Logistics management	Conduct Asset Verification	Frequency	a) 12 days b) 14 days c) 12 days	a) 12 days b) 14 days c) 12 days	a) 12 days b) 14 days c) 12 days	a) 12 days b) 14 days c) 12 days	a) 12 days b) 14 days c) 12 days	Salaries	AGS report submitted to AG by 31 August 2016. Consolidated AGS submitted on 30 September 2016. AGS report submitted on 30 September 2016 and Clean Audit report submitted on 30 September 2016.			25	Y Y Y	😊 😊 😊	H	Manager Assets & Logistics
DEPARTMENTAL RESPONSIBILITY			Assets and Logistics management	Inventory management	Percentage	100%	100%	100%	100%	100%	Salaries	AGS report submitted to AG by 31 August 2016. Consolidated AGS submitted on 30 September 2016. AGS report submitted on 30 September 2016 and Clean Audit report submitted on 30 September 2016.			26	Y	😊	H	Manager Assets & Logistics
			Assets and Logistics management	Inventory management	Frequency	12	12	12	12	12	Salaries	AGS report submitted to AG by 31 August 2016. Consolidated AGS submitted on 30 September 2016. AGS report submitted on 30 September 2016 and Clean Audit report submitted on 30 September 2016.			27	Y	😊	H	Manager Assets & Logistics
			Assets and Logistics management	Inventory management	Percentage	100%	100%	100%	100%	100%	Salaries	AGS report submitted to AG by 31 August 2016. Consolidated AGS submitted on 30 September 2016. AGS report submitted on 30 September 2016 and Clean Audit report submitted on 30 September 2016.			28	Y	😊	H	Manager Assets & Logistics
			Assets and Logistics management	Inventory management	Percentage	100%	100%	100%	100%	100%	Salaries	AGS report submitted to AG by 31 August 2016. Consolidated AGS submitted on 30 September 2016. AGS report submitted on 30 September 2016 and Clean Audit report submitted on 30 September 2016.			29	Y	😊	H	Manager Assets & Logistics
	GP1	Compliance and good Governance	Implementation of OES	Number of District Team Meetings	Percentage	100%	100%	100%	100%	100%	Salaries	AGS report submitted to AG by 31 August 2016. Consolidated AGS submitted on 30 September 2016. AGS report submitted on 30 September 2016 and Clean Audit report submitted on 30 September 2016.			30	Y	😊	H	CFO
DEPARTMENTAL RESPONSIBILITY			To ensure effectiveness of Inter-governmental Relations	Number of District Team Meetings	Percentage	100%	100%	100%	100%	100%	Salaries	AGS report submitted to AG by 31 August 2016. Consolidated AGS submitted on 30 September 2016. AGS report submitted on 30 September 2016 and Clean Audit report submitted on 30 September 2016.			31	Y	😊	H	CFO
			To ensure effective Risk management	Number of District Team Meetings	Percentage	100%	100%	100%	100%	100%	Salaries	AGS report submitted to AG by 31 August 2016. Consolidated AGS submitted on 30 September 2016. AGS report submitted on 30 September 2016 and Clean Audit report submitted on 30 September 2016.			32	Y	😊	H	CFO
			Budget and monitoring of performance against predetermined objectives	Number of District Team Meetings	Percentage	100%	100%	100%	100%	100%	Salaries	AGS report submitted to AG by 31 August 2016. Consolidated AGS submitted on 30 September 2016. AGS report submitted on 30 September 2016 and Clean Audit report submitted on 30 September 2016.			33	Y	😊	H	CFO
			People management	Number of District Team Meetings	Percentage	100%	100%	100%	100%	100%	Salaries	AGS report submitted to AG by 31 August 2016. Consolidated AGS submitted on 30 September 2016. AGS report submitted on 30 September 2016 and Clean Audit report submitted on 30 September 2016.			34	Y	😊	H	CFO
	GP2	To ensure sound and effective asset management	Implementation of OES	Number of District Team Meetings	Percentage	100%	100%	100%	100%	100%	Salaries	AGS report submitted to AG by 31 August 2016. Consolidated AGS submitted on 30 September 2016. AGS report submitted on 30 September 2016 and Clean Audit report submitted on 30 September 2016.			35	Y	😊	H	CFO

PERFORMANCE SYMBOLS				WEIGHTINGS				TOTAL	
TARGET SET	IN PROGRESS	NOT SET	NA	High	Medium	Low	NA	High	Low
😊	😊	😊	😊	43	2	1	48		



NATIONAL RPA's	EPD REF NO.	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BASELINE	ANNUAL TARGET 2016-2017	ANNUAL ACTUAL 2016-2017	ANNUAL TARGET 2017-2018	ANNUAL ACTUAL 2017-2018	REASON FOR VARIANCE / COMMENTS	MEASURES TAKEN TO IMPROVE PERFORMANCE / CORRECTIVE MEASURE	PROGRESS COMMENTS	EVIDENCE REF NUMBER	PERFORMANCE SYMBOL	WEIGHTINGS	RESPONSIBLE PERSON
MTR1		To ensure the staff complement of the Municipality	Recruitment	Number of job advertisements submitted to Edo by deadline	Number	4 of 10 (40%)	2 Policies reviewed and submitted to Edo by end June 2017	4 of 10 (40%) Policies reviewed and submitted to Edo by end June 2017	3 Policies reviewed and submitted to Edo by end June 2018	7 Policies reviewed and submitted to Edo by end June 2018	The review of the policies has been completed and the necessary changes are being implemented. The review of the policies has been completed and the necessary changes are being implemented.			1	Y	M	Manager Human Resources
				Percentage of new employees recruited in terms of the recruitment policy	Percentage	100%	100%	100%	100%	100%	Staff establishment was reviewed according to the projected needs in order to ensure alignment with the budget and capacity.			2	Y	M	Manager Human Resources
				% of Vacancy rate	Percentage	100% (Actual)	20%	10% (2017 actual)	12.84%	12.84%				3	Y	M	Manager Human Resources
				a) Development of a 5 year employment equity plan due to new Council & submitted to Edo by end June 2017	Date & Number	a) Development of a 5 year employment equity plan due to new Council & submitted to Edo by end June 2017	a) End June 2017 b) 2	a) Developed & approved in 2015/2016 b) 2	a) End of September 2017 b) 1 (week 1) by June 2018	a) EEP has been developed and submitted to Edo on 28 June 2018 b) 2				4	Y	M	Manager Human Resources
				b) Number of people from employment equity target groups employed in the three highest levels of management in the Municipality	Date	b) Number of people from employment equity target groups employed in the three highest levels of management in the Municipality	b) 2	b) 2	b) 2	b) 2				5	Y	M	Manager Human Resources
				c) Report on Employment equity plan submitted to Department of Labour by deadline	Date	c) Report on Employment equity plan submitted to Department of Labour by deadline	c) End June 2017	c) End June 2017	c) End June 2018	c) End June 2018				6	Y	M	Manager Human Resources
				d) Percentage of normal employees employed in the three highest levels of management in the Municipality	Percentage	d) Percentage of normal employees employed in the three highest levels of management in the Municipality	d) 100%	d) 100%	d) 100%	d) 100%				7	Y	M	Manager Human Resources
				e) Percentage of normal employees employed in the three highest levels of management in the Municipality	Percentage	e) Percentage of normal employees employed in the three highest levels of management in the Municipality	e) 100%	e) 100%	e) 100%	e) 100%				8	Y	M	Manager Human Resources
				f) Percentage of normal employees employed in the three highest levels of management in the Municipality	Percentage	f) Percentage of normal employees employed in the three highest levels of management in the Municipality	f) 100%	f) 100%	f) 100%	f) 100%				9	Y	M	Manager Human Resources
				g) Percentage of normal employees employed in the three highest levels of management in the Municipality	Percentage	g) Percentage of normal employees employed in the three highest levels of management in the Municipality	g) 100%	g) 100%	g) 100%	g) 100%				10	Y	M	Manager Human Resources



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NATIONAL KPA's	KPI REF NO.	KPI OBJECTIVE	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BENCHMARK	ANNUAL TARGET 2016-2017	ANNUAL ACTUAL 2016-2017	ANNUAL TARGET 2017-2018	ANNUAL ACTUAL 2017-2018	REASON FOR VARIANCE / COMMENTS	MEASURES TAKEN TO IMPROVE PERFORMANCE / CORRECTIVE MEASURE	PROB COMMENTS	EVIDENCE REF NUMBER	PERFORMANCE SYMBOL	WEIGHTING	RESPONSIBLE PERSON
NATIONAL KPA's	KPI010	To ensure effective organisational performance management	Program Management	Performance Issues	Number of performance reviews of Manager's performance conducted quarterly	Number	4	4	4	4	4				26	Y	L	Director Corporate Services
			Budget and monitoring of performance against pre-determined objectives	Clear administration	Performance Report with accurate & complete POC's submitted by deadline monthly and quarterly	Date	100% (day of month) (month)	10 August 2016 09 September 10 October 2016 09 November 2016 08 December 07 January 2017 06 February 2017 05 March 2017 04 April 2017 03 May 2017 02 June 2017 01 July 2017	10 August 2017 08 September 2017 07 October 2017 06 November 2017 05 December 2017 04 January 2018 03 February 2018 02 March 2018 01 April 2018 01 May 2018 01 June 2018 01 July 2018				37	Y	M	Director Corporate Services		

PERFORMANCE TRENDS	IN PROGRESS	ON TRACK	OVER	TOTAL
37	5	7	6	47

PERFORMANCE TRENDS	IN PROGRESS	ON TRACK	OVER	TOTAL
37	5	7	6	47



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NATIONAL IDP REF	IDP OBJECTIVE	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BASELINE	ANNUAL TARGET 2016-2017	ANNUAL ACTUAL 2016-2017	ANNUAL TARGET 2017-2018	ANNUAL ACTUAL 2017-2018	ADJUSTED BUDGET	REASON FOR VARIANCE / COMMENTS	MEASURES TAKEN TO IMPROVE PERFORMANCE / CORRECTIVE ACTIONS	PMS COMMENTS	EVIDENCE REF NUMBER	EVIDENCE	PERFORMANCE SYMBOL	WEIGHTINGS	RESPONSIBLE PERSON
CP04	To improve the quality of life within the district	To determine prevalence rates & status	District AIDS Council	a) Number of DMC meetings held	Number	41.1	a) 1	a) 1	a) 3	a) 3		a) One special meeting was held on 19 April 2018			16	a) Y	☺	M	Manager Corporate Governance
				b) Number of reports prepared & submitted to the office of the Premier	Number	50.4	b) 4	b) 4	b) 4	b) 4		This target exceeded in due to the campaigns that were conducted during the Child Protection week and 22 schools were visited in			17	b) Y	☺	M	Manager Corporate Governance
				c) Annual review & adoption of gender plan by district (gender support interventions) implemented as per the approved gender plan	Number	50	c) 100%	c) 100%	c) 100%	c) 100%		There were no gender support interventions implemented as per the approved gender plan			18	c) Y	☺	M	Manager Corporate Governance
				d) Percentage of gender programmes requested that are funded	Percentage	100%	d) 100%	d) 100%	d) 100%	d) 100%		There are 5 requested programmes that were funded			19	d) Y	☺	M	Manager Corporate Governance
CP05	To preserve our history and heritage	Implementation of Operation Sakhwe	Operation Sakhwe	a) Number of interventions funded in all LMS by deadline	Number	0	0	0	0	0		The interventions target exceeded due to the ODS Capital Day and 11 people were visited			20	a) Y	☺	M	Manager Corporate Governance
				b) No. of Functional District Task Teams meetings held	Number	11	11	11	11	11		OTT meeting scheduled for the 19th of June 2018 did not take place as the District prayer hall at Nkomo's Hill on the same date. Attendance was poor and the meeting was postponed to 21 June 2018. Proper preparation meetings were scheduled			21	b) Y	☺	M	Manager Youth, Sports, Arts & Culture
				c) No. of Heritage events	Number	5	5	5	5	5		Additional event in Makhaya - roots of Africa and a week 4 partnership with other stakeholders			22	c) Y	☺	M	Manager Youth, Sports, Arts & Culture
				d) Annual report submitted by deadline	Date	Approved on the 31 January 2017	Approved on the 31 January 2017	Approved on the 31 January 2017	30-Jan-18	30-Jan-18		Annual report has been submitted to Council and approved by 30 January 2018			23	d) Y	☺	M	Manager Corporate Governance
CP06	To improve the quality of life within the district	To enhance quality, reliable financial and management information	Financial Management	a) Number of District Intra-Departmental Forum meetings held within the District	Number	4	4	4	4	4		One special Risk Management Committee meeting held on 18 June 2018			24	a) Y	☺	M	Manager Corporate Governance
				b) Number of updated risk monitoring tool submitted	Number	41.2	b) 4	b) 4	b) 4	b) 4		Target exceeded due to good participation of stakeholders, attendance and use of good risk management strategy			25	b) Y	☺	M	Manager Youth, Sports, Arts & Culture
				c) Percentage of youth programmes requested that are funded	Percentage	100%	c) 100%	c) 100%	c) 100%	c) 100%		There are 4 requested programmes that were funded			26	c) Y	☺	M	Manager Youth, Sports, Arts & Culture
				d) No. of sporting events participated in	Number	New measure	New measure	New measure	New measure	New measure		Target was not met due to financial constraints			27	d) Y	☺	M	Manager Youth, Sports, Arts & Culture
CP07	To ensure effective Operational Performance Management	Budget and monitoring of performance against predetermined objectives	Operational Performance	a) Performance Report with accurate & complete POCs submitted by deadline monthly and quarterly	Date	10th day of each month	10th day of each month	10th day of each month	10th day of each month	10th day of each month		Target was not met due to financial constraints			28	a) Y	☺	M	Manager Youth, Sports, Arts & Culture
				b) Number of performance reviews conducted	Number	4	4	4	4	4		Target was not met due to financial constraints			29	b) Y	☺	M	Manager Youth, Sports, Arts & Culture
				c) Compliance with MFMA and other legislation	Compliance	100%	100%	100%	100%	100%		Target was not met due to financial constraints			30	c) Y	☺	M	Manager Youth, Sports, Arts & Culture
				d) Number of performance reviews conducted	Number	4	4	4	4	4		Target was not met due to financial constraints			31	d) Y	☺	M	Manager Youth, Sports, Arts & Culture
FP05	To provide and effective water services to the community	To provide and effective water services to the community	Water Control	a) Percentage of reported violations analysed	Percentage	100%	100%	100%	100%	100%		There were no water service violations reported			32	a) Y	☺	M	Manager Health & Safety
				b) Number of water service violations analysed	Number	41.2	b) 100%	b) 100%	b) 100%	b) 100%		The assistance is marginal and the number of water service violations reported from the community			33	b) Y	☺	M	Manager Health & Safety
				c) Number of sample taken and analysed	Number	41.2	c) 100%	c) 100%	c) 100%	c) 100%		41 water samples were not compliant with SANS 241 and were referred to the relevant authority			34	c) Y	☺	M	Manager Health & Safety
				d) Percentage of unsatisfactory sample returned to relevant authority	Percentage	100%	100%	100%	100%	100%		There were no water service violations reported			35	d) Y	☺	M	Manager Health & Safety
FP06	To ensure the safety of the community	To ensure the safety of the community	Safety	a) Percentage of reported violations analysed	Percentage	100%	100%	100%	100%	100%		There were no water service violations reported			36	a) Y	☺	M	Manager Health & Safety
				b) Number of water service violations analysed	Number	41.2	b) 100%	b) 100%	b) 100%	b) 100%		The assistance is marginal and the number of water service violations reported from the community			37	b) Y	☺	M	Manager Health & Safety
				c) Number of sample taken and analysed	Number	41.2	c) 100%	c) 100%	c) 100%	c) 100%		41 water samples were not compliant with SANS 241 and were referred to the relevant authority			38	c) Y	☺	M	Manager Health & Safety
				d) Percentage of unsatisfactory sample returned to relevant authority	Percentage	100%	100%	100%	100%	100%		There were no water service violations reported			39	d) Y	☺	M	Manager Health & Safety

NATIONAL ID	EXP REF NO.	EXP OBJECTIVE	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BASELINE	ANNUAL TARGET 2016-2017	ANNUAL ACTUAL 2016-2017	ANNUAL TARGET 2017-2018	ANNUAL ACTUAL 2017-2018	ADJUSTED BUDGET	REASON FOR VARIANCE / COMMENTS	MEASURES TAKEN TO IMPROVE PERFORMANCE / CORRECTIVE MEASURE	PMIS COMMENTS	EVIDENCE REF. NUMBER	EVIDENCE	PERFORMANCE SYMBOL	WEIGHTING	RESPONSIBLE PERSON
INSTITUTIONAL PERFORMANCE	4102	To ensure a sustainable and healthy environment	To monitor food handling premises/processes according to Regulation 364 of the Food Safety, Chemicals and Quarantine Act	Municipal Health Services	a) Number of premises inspected to ensure food borne disease compliance b) Percentage of reported food born diseases investigated	Number	14 (50%) 30 (100%)	a) 800 b) 100%	a) 841 b) 100%	a) 837 (was 720) b) 100%	a) 841 b) 100%		a) Health education was initiated following the outbreak of salmonella which is a food borne disease b) There are 3 food borne diseases reported and investigated			24	a) Y b) Y	a) b)	M	Manager Health & Safety
		To ensure food handling premises/processes according to Regulation 364 of the Food Safety, Chemicals and Quarantine Act			% of reported notifiable diseases investigated	New Measure	New Measure	New Measure	100%	100%		There are 3 notifiable diseases reported and investigated				36	Y		M	Manager Health & Safety
		To ensure that statutory requirements relating to occupational health & environmental services are enforced ensuring people in the work place, community & environment providing a safe & healthy living environment			Number of health education campaigns held	Number	130	70	120	60 (was 60)	100	90 (90%)	Health education was initiated following the outbreak of salmonella and Rabies				26	Y		M

PERFORMANCE SYMBOLS			
TARGET MET	ON PROGRESS	NOT MET	TOTAL
48	2	1	54

VARIATIONS			
HIGH	MEDIUM	LOW	TOTAL
1	0	1	2
2	0	1	3



DEPARTMENT : ENTERPRISE ILEMBE  
CEO : IKOSIMATHI NKOMZWAYO

NATIONAL IDP REF NO.	IDP OBJECTIVE	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BASELINE	ANNUAL TARGET 2016-2017	ANNUAL ACTUAL 2016-2017	ANNUAL TARGET 2017-2018	ANNUAL ACTUAL 2017-2018	REASON FOR VARIANCE / COMMENTS	MEMBERS TAKEN TO IMPROVE PERFORMANCE/ CONSTRUCTIVE REMARKS	PMS COMMENTS	EVIDENCE REF. NUMBER	PERFORMANCE SYMBOL	WEIGHTING
LED01	To improve co-ordination of LED in the District	Co-ordination of LED in the District	LED	Number of LED Forum meetings attended per annum	Number	1	4	7	4	5	Instead of meetings sitting quarterly, they were increased to be held every second month.			1	Y	M
				% of produce procured from local Lumbos farms	Percentage	0%	50%	50%	50% by 30 June 2018	81%	More than local farmers supplied the programme			2	Y	H
				a) Number of small scale farmers introduced by the Early Erty b) Number of small scale farmers mentored/supported by the Early Erty	Number	0/0/0 0/0/0	1/2/2 0/0/0	1/2/2 0/0/0	1/2/2 0/0/0	1/2/2 0/0/0	c) One additional farmer that needed support was mentored during the year			3	AY BY BY	H
				Report presented on engagements with Government departments by deadline	Date	New measure	New measure	New measure	End June 2018	Report done by 30 June 2018	At the beginning of the financial year meeting attendance was poor. However at the year progressed the committee members were able to adhere to the meeting calendar			4	Y	M
LED02			District Approach	Number of agricultural tech team meetings held	Number	New measure	New measure	New measure	(see 5)	7	One farmer is ready for operations at Mphahlele			5	Y	M
				Number of farmer sales ready for operations	Number	1	1	1	1	1				6	Y	M
				Progress report on monthly studies conducted for new tourism initiatives	Date	New measure	New measure	New measure	End June 2018	Progress report prepared by 13 June 2018	This is a partnership project with KwaZulu Natal Municipality KCM as leading SCM provider for the appointment of the Service Provider. Progress report from KCM was submitted as required			7	Y	M
				Number of exhibitors attended	Number	6	6	6	6	6	National advertising was accommodated within the budget allocation			8	Y	L
LED03	To increase visitor numbers to the Lumbos District	Tourism Marketing & Development	Tourism Marketing & Development	Number of advertisements in relevant publications	Number	3	3	3	4	6				9	Y	M
				Number of Official Tourism Travel Guides for 2018/2019 developed by deadline	Date & Number	1 by end May 2017	1 by end May 2017	1 by end May 2017	1 by end June 2018	1 by 31 May 2018	The SCM process commenced earlier and so the project took needed action			10	Y	M
				No. of Quarterly Tourism Research Performance Reports	No	New measure	New measure	New measure	(see 2)	4				11	Y	M
				Number of events supported to increase visitors to District	Number	4	4	4	4	4	Additional event was supported within the budget allocation			12	Y	M
LED04	To increase Manufacturing output in the District	To identify and initiate projects in new sectors	Catalytic projects	Monthly & Quarterly new large scale projects for funding by deadline	Number	2	2	2	2 by end June	2 by 31 May 2018				13	Y	H
				Facilitate the implementation of 2 selected catalytic projects	Number	2	2	2	2 by end June	2 by 31 May 2018				14	Y	H
				Number of Business Confidence Index developed by deadline	Number	New measure	New measure	New measure	2 by end March	2 by 7 March 2018				15	Y	M

LOCAL ECONOMIC DEVELOPMENT

NATIONAL SPV'S	SPV REF NO.	SPV OBJECTIVE	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BASELINE	ANNUAL TARGET 2017/2017	ANNUAL ACTUAL 2017/2017	ANNUAL TARGET 2017/2018	ANNUAL ACTUAL 2017/2018	REASON FOR VARIANCE / COMMENTS	REMARKS TAKEN TO IMPROVE PERFORMANCE / CORRECTIVE MEASURE	PMS COMMENTS	EVIDENCE REFERENCE NUMBER	PERFORMANCE SYMBOL	WEIGHTING
LOCAL ECONOMIC DEVELOPMENT																	
				Investment promotion strategy	Adopt and circulate investment promotion strategy by deadline	Date	New measure	New measure	New measure	End June 2018 (week June 2018)	The strategy was adopted on 01 December 2017 and implemented on 01 April 2018				16	Y	M
				Investor Prospectus	Investor Prospectus Reviewed by deadline	Date	New measure	New measure	New measure	End June 2018	Reviewed Prospectus done by 30 June 2018	Local participation was not able to provide the complete packages, therefore to approach LMA directly			17	Y	M
				To build partnerships with external stakeholders	Number of Business Networking Sessions attended/attended	Number	12	19	19	25 (week 14)	22	Additional networking sessions were identified and arranged within the budget allocation			18	Y	L
				To promote Entrepreneurship	Number of Progress Reports submitted to the Entrepreneurship Commission	Number	3	3	3	7	2	Copies are kept based on referrals and submitted to the Entrepreneurship Commission (LIFE)			19	Y	M
	LE005	To ensure job creation	To identify and package new projects in existing sectors	Number of new co-operatives registered	Number of new co-operatives registered	Number	35	30	30	25 (week 15)	28	More than anticipated beneficiaries identified the CIPC website			20	Y	M
				Co-operative Development	Number of new co-operatives started	number	11	57	57	65 (week 15)	64	Due to workshops above, more co-ops responded and were assisted with Corporate Income Scheme applications			21	Y	M
				Skills Audit	Number of co-ops and SMEs assisted with funding applications	Number	36	Jan-20	36	13 (week 20)	15				22	Y	X
				Skills Audit	Draft report on District Skills Audit by deadline	Date	New measure	New measure	New measure	End June 2018	Skills audit report was completed on 31 May 2018				23	Y	M
				Capacity Building and Mentorship for small enterprises	No. of programmes implemented	Number	New measure	New measure	New measure	2	2	A need was identified for additional stakeholder engagement to enable information sharing within the district			24	Y	F
				To encourage local businesses to take advantage of government programmes (Black Industrial, Employment Tax incentives, etc.)	Number of engagement sessions with local businesses	Number	New measure	New measure	New measure	1	2				25	Y	M
	LE006	To enable an ICT platform available to everyone	To identify and package new projects in existing sectors	Broadband Project	Source Funding for ICT projects - Phase 1	Date	Application for Broadband Project Funding received on 11 May 2017	End June 2017	1 May 17	Source Funding (week 2 Projects)	OSISA and DTI have been identified as funders and applications have been submitted.				26	Y	X
				Employee Training	Percentage of training budget spent	Percentage	95%	100%	95%	100%	112%	There were more savings towards the year end and the stated was done to increase the budget			27	Y	M
	MT001	To establish an efficient staff and asset administration	To manage the staff component of the Agency	Human Resource Management	a) Reviewed engagement by the board by deadline b) Percentage of posts filled in the engagement	Date & Percentage	a) 30 June 2017 b) 85% by 30 June 2017	a) 30 June 2017 b) 85% by 30 June 2017	a) 30 June 2017 b) 85% by 30 June 2017	a) 30 June 2018 b) 85% by 30 June 2018	a) Reviewed by 30 June 2018 b) 85% by 30 June 2018				28	Y Y	M



NATIONAL IDP'S	IDP REF NO.	IDP OBJECTIVE	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BASELINE	ANNUAL TARGET 2016-2017	ANNUAL ACTUAL 2016-2017	ANNUAL TARGET 2017-2018	ANNUAL ACTUAL 2017-2018	REASON FOR VARIANCE / COMMENTS	MEASURES TAKEN TO IMPROVE PERFORMANCE/ CORRECTIVE MEASURE	EVIDENCE REF. NUMBER	EVIDENCE	PERFORMANCE E SYMBOL	WEIGHTINGS	
FINANCIAL VIABILITY & MANAGEMENT	PV02	To ensure sound budgeting and compliance	Budget & compliance monitoring	Quality, reliable financial statements and management information	Monthly financial information reports (MFMA Section 7(1)(i) submitted to the District by deadline	Date	10th day of each month	10-03-2016 09-05-2016 08-07-2016 07-12-2016 06-11-2016 18-01-2017 15-02-2017 09-03-2017 08-04-2017 09-04-2018 08-05-2018 08-06-2017 10-07-2017 10-07-2018	7th working day of each month	07-05-2017 06-11-2017 08-12-2017 18-01-2018 15-02-2018 09-03-2018 08-04-2018 08-05-2018 08-06-2018 10-07-2018			29	Y	😊	X		
	PV03	To ensure sound expenditure management	Costflow Management	Cost Coverage	Cost Coverage ratio (All auditable cash + non-auditable cash / auditable cash + non-auditable cash)	Cost Coverage ratio	Ratio	9:10:1	0.15:1	0.15:1	1.0:1.0	1.0:1.0	We have exceeded the target because of the funds received from DOE that was outstanding		30	Y	😊	X
				Management of cashflow	Cashflow Management (Ability of EI to meet all financial obligations)	Number of days	Number	1 days	1 day	1 day	20 days	44 days	We have exceeded the target because of the funds received from DOE that was outstanding		31	Y	😊	X
				Operational expenditure monitoring	Percentage of operational expenditure (Actual operating expenditure/ budgeted operating expenditure x 100)	Percentage	Percentage	94%	94%	94%	100%	94%			32	Y	😊	X
PV04		To procure quality goods and services in a cost effective transparent, competitive, equitable and accountable manner within the policy framework	Contract Management	Management of service providers	Number of Signed Quarterly reports on performance of service providers by management	Number	4	4	4	4	4			33	Y	😊	X	
PV05		To maintain a clean audit opinion	Financial and administration management	Municipal Clean Audit	a) Clean audit opinion by the AG for 2016/2017 b) No material savings (except in cases where it is beyond the control) during progress on 2016/2017 audit action plan	AG opinion Number & Percentage	a) Clean audit opinion by the AG for 2015/2016 b) 97% c) 100%	a) Clean audit opinion by the AG for 2016/2017 b) 97% c) 100%	a) Clean audit opinion by the AG for 2016/2017 b) 97% c) 100%	a) Clean audit opinion by the AG for 2016/2017 b) 97% c) 100%	a) Clean audit opinion by the AG for 2016/2017 b) 97% c) 100%			34	Y Y Y Y	😊 😊 😊 😊	X	
GP10		To ensure effective Operational performance management	Budget & monitoring against predetermined objectives	Operational performance management	Performance Report with accurate & complete POEs submitted by deadline - monthly and quarterly	Date	10th day of each month	10-03-2016 09-05-2016 08-07-2016 07-12-2016 06-11-2016 18-01-2017 15-02-2017 09-03-2017 08-04-2017 09-04-2018 08-05-2018 08-06-2017 10-07-2017 10-07-2018	10th day of each month	10-03-2016 09-05-2016 08-07-2016 07-12-2016 06-11-2016 18-01-2017 15-02-2017 09-03-2017 08-04-2017 09-04-2018 08-05-2018 08-06-2017 10-07-2017 10-07-2018		Q1 - July & Aug 2017 Quarterly reports submitted on time. POE received on 21-08-2017 14-09-2017		35	Y	😊	X	
				Cashflow management	Number of coaching sessions of employees performance conducted monthly	Number	2	2	2	4	4			36	Y	😊	X	
			To ensure that the entity complies with the values and principles as outlined in the Constitution of South Africa	Review and approve strategic plan for the year and make available targets by the board by deadline	Multi year strategic plan	Number of board meetings & board sub-committee meetings held to ensure effectiveness of Board of Directors by deadline	Number	6	6	6	12	11	The sub-committee meeting that was scheduled to sit in June 2018 had to be cancelled due to rescheduling and reshuffling of the sub-committee members and the meeting was approved		37	Y	😊	X
GP11		To ensure effectiveness of the Board of Directors in all areas of the entity		Good Governance	Number of board meetings & board sub-committee meetings held to ensure effectiveness of Board of Directors by deadline	Number	6	6	6	12	11	The sub-committee meeting that was scheduled to sit in June 2018 had to be cancelled due to rescheduling and reshuffling of the sub-committee members and the meeting was approved		38	Y	😊	X	
				Audit Committee	Number of Audit Committee meetings held by the Board and the District by deadline	Number	2	2	2	2	2			39		😊	X	

PERFORMANCE TRACKER				
TARGET DATE	IN PROGRESS	NOT SET	NA	TOTAL
4	2	8	NA	

WEIGHTING			
HIGH	MEDIUM	LOW	TOTAL
H	M	L	





# ANNUAL REPORT 2017/2018

**Enterprise iLembe Economic Development Agency**

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[www.enterpriseilembe.co.za](http://www.enterpriseilembe.co.za)





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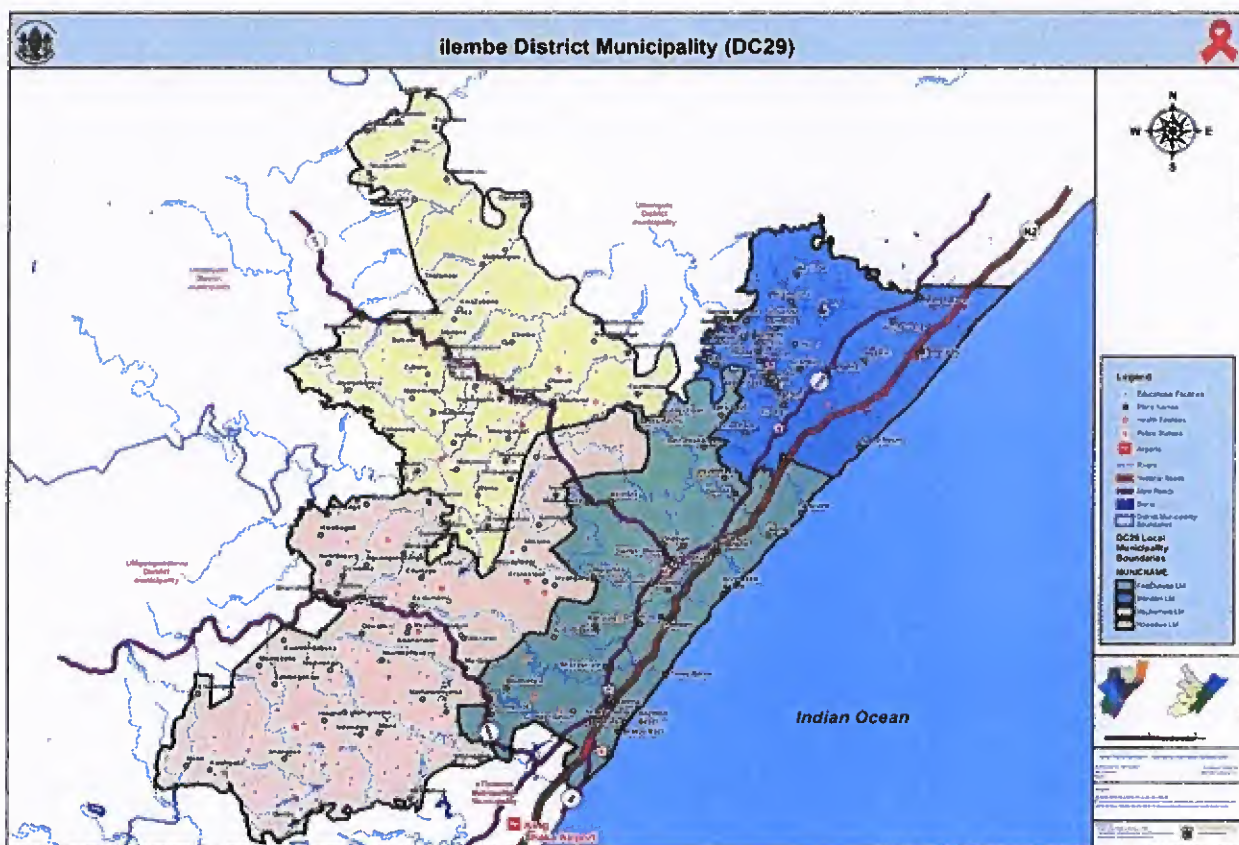
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# CHAPTER 1- INTRODUCTION & OVERVIEW

## 1.1 Overview of iLembe District Municipality

The iLembe District Municipality is situated on the East Coast of South Africa in the Province of KwaZulu Natal. iLembe District is bordered by eThekweni Metro in the South and linked to King Cetshwayo District in the north by the coastal highway, which is a key corridor in the region and is bordered in the west by Umgungundlovu and Umzinyathi Districts.

It is located between Africa's busiest ports of Richards Bay and Durban and is in close proximity to the King Shaka International Airport and the Dube Trade Port. It is the smallest District Municipality in the province with a total population of approximately 657000. The municipality covers 3260 square kilometers and is divided into four local municipalities: KwaDukuza, Mandeni, Maphumulo & Ndwedwe.



**The economic sectors that constitute the pillars of iLembe's economy are the following:**

- **Agriculture** - This sector is characterised by two main distinct types:
  - Commercial agriculture, such as sugar cane farming along the coastal strip
  - Subsistence agriculture in the rural hinterland and inland areas
  
- **Manufacturing** - This sector is mainly characterised by the following types of industries:
  - Primary sector comprises of heavy industries, such as sugar and paper mill production in the Isithebe Industrial Estate in Mandeni
  - Secondary sector activities include light industries that are prevalent throughout the district and with a focus on the rural areas of the district as well as along the coastal belt.
  
- **Tourism** - iLembe is one of the prime domestic tourism attractions in South Africa due to its favourable climate and its excellent beaches. This sector has consistently grown in iLembe and offers a variety of tourism facilities that can be categorised as follows:
  - Cultural and heritage tourism
  - Beach tourism
  - Nature-based and adventure tourism
  
- **Commerce and Services** - This sector includes the following sub sectors and is found in all the main urban centres throughout the district with specific reference to the towns of KwaDukuza and Ballito:
  - Wholesale / retail trade transport / storage communication financial / insurance
  - Real estate business / community / social / personal services / government services

## **VISION**

*To enable iLembe District to be the destination of choice for investment, business and tourism*

## 1.2 Foreword by the Chairperson

The South African economy has, over the past few financial years been shrinking, this has been felt throughout the financial pillars of our economy, and the cost of living has been increasing while our economy has not been growing at the desired rate. This has presented many challenges in the country at large. In line with our mandate, Enterprise iLembe finds itself at the forefront of the challenges that are presented by the country's slow economic growth.

Following the appointment of a new board during the 2016/2017 financial year, the board has carefully evaluated the performance of Enterprise iLembe against its mandate and deliverables. In doing so, the board was very mindful of the shifting global forces, and analysed the challenges as well the opportunities that this might present for our District.

As the board, we are fully aware of our responsibility to provide strategic direction and guidance to the organisation that will focus on and ensure inclusive economic growth for our District, the province of KwaZulu Natal and for South Africa and the continent as a whole.

During the year under review, Enterprise iLembe has forged key partnerships with our four local municipalities; Mandeni, KwaDukuza, Ndwedwe and Maphumulo, whilst off course leveraging on the strategic support from our shareholder, iLembe District Municipality.

Enterprise iLembe has continued to place major emphasis on the promotion of key investment opportunities within our district, through marketing specific projects and opportunities in all our diverse sectors. Our tourism and manufacturing sectors are showing signs of a steady incline; Enterprise iLembe takes pride in having been able to attract companies such as Prominence to invest in our District. In saying this however one of the challenges faced during the year under review is the low business confidence in our District.

Whilst the National Schools Programme remains a large project financial contributor, it's not without challenges, one that the board has identified as part of the risks that needs to be mitigated by the Agency. We are happy to note that our shareholder has appointed board members with vast experience in their respective fields.

The board members are:

Mr. Khanyisani Shandu

Prof. Thandi Nzama

Ms. Dumisile Nene

Mr. Cobus Oelofse

Mr. Zakhele Gumede

Mr. Patrick Mngadi

Ms. Noluthando Mngadi



The appointed board members collectively bring much required expertise and values to Enterprise iLembe coming from backgrounds such as law, marketing, HR, Investment Promotions and Tourism. I have every confidence that they will continue to serve and take the Agency to even greater heights and help it fulfil the mandate.

#### Appreciation

Let me take this opportunity to express my sincere gratitude to the board members for the professional manner in which they discharge their fiduciary and other duties to the organisation, through their collective and individual experience and expertise.

Equally it is a great pleasure for me to warmly welcome into our fold, the newly appointed board members, you have brought a new vigour and vitality into the organisation and the experience of the private sector, government and academia, which bodes well for the future strategic direction of our organisation and the meeting of its business objectives for the benefit of our people whom we are serving.

On the same note, I would like to also share my deepest appreciation to the management of Enterprise iLembe led by the CEO Mr. Nkosinathi Nkomzwayo and the entire staff, for the manner in which they have dedicated themselves to work for our people and to serve them in a manner that says the principle of "Batho Pele" is deeply entrenched in the organisation.

Through their dedication, the face of the organisation has changed, our communities now see themselves as part of the organisation and there's a deep sense of pride among our people that Enterprise iLembe is serving them, and indeed we have received huge support from all our Local Municipalities, and for this, the board is deeply appreciative.

Lastly on behalf of the Board of Directors of Enterprise iLembe we would like to thank our shareholder, iLembe District Municipality under the guidance and capable leadership our Mayor, Cllr. Sduduzo Gumede, for his ongoing guidance and strategic direction. We thank the Mayor for keeping the board in check, and reminding the board about the importance of creating a better life for all our people in the District through radical socio-economic transformation.

For Enterprise iLembe, it remains forever essential to foster good working relationships with all municipalities in the district, this will ensure that we are able to create a conducive environment to attract new investors in our district as well as to retain businesses that are already operating within the district, thus ensuring the healthy economic movements as well as create much needed jobs in the district.

With the team that we currently have, I have no doubt that we have within ourselves, the capacity to rise to the challenge. Working together we will be able to defeat the triple challenges of Poverty, Unemployment and Inequality which continues to harass our communities.



---

**Khanyisani Shandu**  
**Chairperson**

### **1.3 Foreword by the Chief Executive Officer**

#### **1.3.1 Background**

The South African economy continued to be under pressure during the 2017/2018 financial year. This has been largely witnessed by the stagnant jobs created, coupled with a decline across various industries. The district of iLembe's economic outlook has mirrored that of the country with business confidence being in the downward spiral for the period of review. The call by various stakeholders for the District Development Agency to take a meaningful role in addressing the triple challenge of high unemployment, poverty, and inequality necessitated that the Agency do an introspective exercise with the aim of strategically repositioning itself.

During the first six months of the year under review, the Agency had an opportunity to assess its performance against its set mandate and strategic objectives. A SWOT analysis was done during the strategy session held during the beginning of the financial year. During the SWOT analysis, major weaknesses identified included lack of some skills and capacity in the Agency to fulfil the mandate, over reliance on the shareholder for funding and management systems were identified as serious issues that threatened the going concern of the Agency as well as its operational efficiency.

Furthermore, the following weaknesses were identified as prevailing during the strategy session:

- Failure to attract more investors in the District
- Lack of planning capacity within the Agency
- Projects not sustainable in the current form
- Inability to raise funds
- Stagnant or lack of growth
- Boggled down by badly perceived projects
- Lack of stakeholder engagement
- Low staff moral

The following were the threats that the Agency faced from the previous financial years:

- Lack of proper cash flow management resulting in low quick ratio
- Lack of cooperation with LMs (with no alignment and cooperation)
- Becoming irrelevant (redundancy and mundane day-to-day activities).
- Lack of Political buy in (particularly from the ruling party).
- Corruption
- Low business confidence level

In order for the Agency to fulfil its mandate and contribute towards poverty eradication in the district, both the Management and Board held a strategy session with the aim of setting a new strategic positioning for the entity. The main objective was to address the pressing weaknesses

and threats that the entity faced. During the strategy session, three (3) strategic pillars were identified as the focus areas for repositioning the entity. The (3) three identified strategic pillars would ensure growth and delivery to the mandate and will set the tone of how the Enterprise iLembe plans to take a lead in the local economic development in the district from the start of the new financial 2017/18 year. The three (3) identified strategic pillars are:

- Financial sustainability of the Agency
- Business Development
- Stakeholder Engagement

### 1.3.2 Enterprise iLembe Performance on Strategic Pillars

#### Financial sustainability of the Agency

Under this pillar, the Agency identified five (5) proposed revenue streams that would need to be optimized in order for the entity to remain a going concern and ensure sustainability going forward. These revenue sources were grants from various sources, shareholder's allocation, project management fees, revenue from operating activities and interest earned from investments. The table below highlights how the Agency performed or put measures in place to achieve under each revenue streams:

PROPOSED	DEPART	PROJECT	EST. REVENUE (2017/18) R	EST. REVENUE (2018/19) R	SOURCE OF REVENUE
Grants from various sources	Tourism	Tourism – Partnership with KDM (Exhibition)	64,000		KDM
	All	COGTA – District Growth and Development Summit with IDM	300,000		COGTA
	LED	IDM – SMME development project (Business Incubator)		2,900,000	IDM
	Tourism	KwaShushu & Intunjambili business case		1,500,000	EDTEA & MLM
Shareholder Allocation	Finance	Ongoing SLA with IDM	25,523,781	31,491,685	IDM
Project Management	LED	National Schools Nutrition Program – signed a new year SLA with marginal price increases	18,216,040	18,216,040	DOE
	LED	Integrated Energy Centre – Maphumulo – total project value R12m (Engen & Dept. Energy)		700,000	MLM
Operating Activities	LED	Winery and Tunnels	124,737	540,000	Retail & Rentals
Investments	Finance	Finance instruments	200,000	250,000	Interests
Total Revenue			44,428,558	55,597,725	



It is worth noting that the Agency managed to achieve a circa 25% revenue increase as part of its efforts to maximize revenue and ensured financial sustainability during the year under review. This was attributed to the following:

- The stability within the organization which resulted in high level engagement with LMs and sector departments like COGTA.
- Improved relationship and alignment between Ei and the LMs.
- Operationalisation of projects like tunnels and winery

### **Business Development**

This pillar focused on internal business processes that the Agency needed to do in order to be able to fulfill its mandate. The Table below highlights some activities under this pillar:

FOCUS AREA	PROGRESS TO DATE
Alignment to existing national, provincial and regional economic development programs and initiatives	Alignment ongoing. Strategy, planning & risk function approved
Optimization of EI performance objectives with focus on balance score card model	Balance score card developed. Incentive policy under review
Best practices – Benchmarking with other agencies	Benchmarking done with 7 Development Agencies

### **Stakeholder engagement**

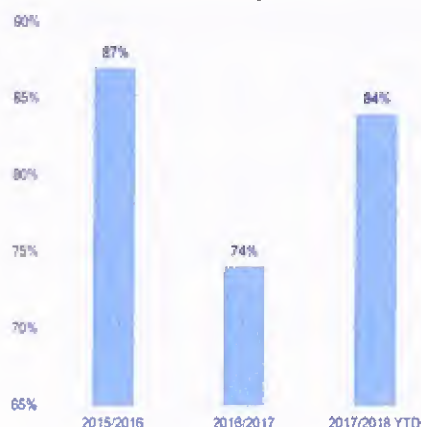
This pillar's main focus was to improve the image of the entity and to be able to solicit buy in from various stakeholders. The Agency has engaged with various stakeholders direct and indirectly. The following methods of engagements have been used;

- Print media – using its own quarterly newsletter as well as local, provincial and national newspapers
- Various forums and portfolio committees
- Presentations to local municipalities
- Presentations to potential investors and project funders
- Representations in a number of summits and conferences

### **YTD May 2017/18 Performance Indicators**

The performance indicators for the year under review indicated graphically below. These indicators are compared with the previous two (2) financial years;

Percent SDBIP target achievement



Reliance on IDM for revenue

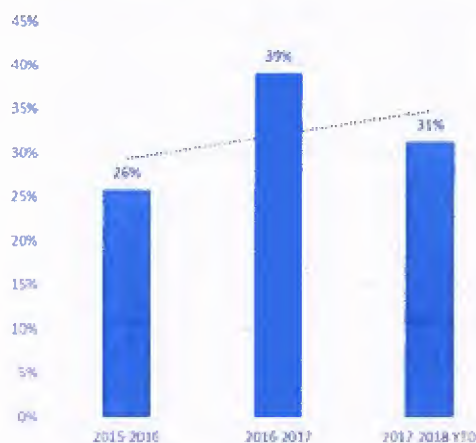


The main achievements on the Service Delivery Budget Implementation Plan has been the following:

- Increase in the percentage of fresh produce procured within the District from 35% to 60%.
- Increase in number of small scale farmers supported by the Agency from 31 to 35.
- Completion of long outstanding repairs and maintenance of Mandeni and Maphumulo tunnel, with the former being made operational.
- Operationalization and commercialization of the vineyard and winery for the entity.
- Packaging and submission of business case for the Broadband project.
- Increase in the registration and training for SMMEs and Cooperatives from 15 to 80.

The decrease in the overreliance of revenue from IDM has been largely due to the increase in the pricing for the NSNP project. The Agency managed to sign the 3-year contract with the Department of Education with price increase.

Percent of staff costs in relation to revenue



Financial Sustainability indicators

Key Performance Indicator	KPI Target	2015-2016	2016-2017	YTD 2017-2018
Current ratio	>1	0,63	0,68	3
Quick ratio	<1	0,63	0,64	3
Solvency Ratio	>1	0,26	0,22	1
Revenue		44 034 977	30 909 169	40 865 284
Expenditure		45 004 602	31 483 341	35 547 378
Surplus/ (Deficit)		( 969 625)	( 574 173)	5 317 905
Capex		335 940	1 318 543	253 737

The staff costs remained within 35% of revenue as recommended by National Treasury. This indicated a good performance as it means with the new programs and projects introduced during the year (see projects and programs list below), the Agency managed to increase staff utilization to achieve its objectives for less capacity (an indicator of a good return on human capital employed).

The financial sustainability was a result of various initiatives implemented by the agency to ensure sustainable cash flows and ratios. These initiatives include, but not limited to,

- Successful engagement with COGTA and submission of revised business plans to the same on historical debt created by misallocation of corridor projects funds. This engagement resulted in the curtailment of usage of unauthorized funds which thus resulted in the healthy current and quick ratio for the entity.
- The successful signing of a three-year SLA with DOE with price increase.
- Cash flow management strategy that included strategic investment for revenue generation in terms of interest.
- Focus on local procurement for NSNP fresh produce to cut back on high costs of fresh produce from Durban Market.

### **1.3.3 Pipeline Projects and Funding Requirements**

PROJECT NAME	EST. FUNDING REQ.	EST. CASHFLOW Y1	EST. CASHFLOW Y2	EST. CASHFLOW Y3-Y5	LOCATION	PROGRESS	BENEFIT
Broadband	330,000,000	15,000,000	TBC	TBC	District Wide	PPP registered with Treasury. Awaiting DTPS support, funding application with DBSA	Job creation, SMME development, Social upliftment (education, health, safety & security)
Biomass Processing	100,000,000	5,000,000	25,000,000	70,000,000	District Wide	Biomass study completed by EI, finalizing off-take agreements for products, putting together a bankable case	Job creation, SMME development,
Hydroponic Tunnels	7,500,000	3,750,000	3,750,000	0	Maphumulo, Ndwedwe	By June 2018 EI would have operationalize tunnels in Mandeni, KwaDukuza and Maphumulo - total Jobs created 42	Job creation, Cooperatives development,
Open Fields Farming	21,500,000	10,700,000	5,400,000	5,400,000	District Wide	Farmer needs analysis completed. EI currently capacitate these farmers. Urgent need	Job creation, Cooperatives development, farmer development



								upscale farmers to increase fresh produce in the District.	
District Business Incubator	39,000,000	5,000,000	5,000,000	29,000,000	District Wide	Feasibility study is underway.	SMME Development		
Township/Rural Economic Development Hubs (YEP)	24,000,000	6,000,000	6,000,000	12,000,000	District Wide	Conceptual stage	SMME Development & Job Creation		
Ballito Exhibition Centre	262,000,000	15,000,000	25,000,000	222,000,000	KwaDukuza	Feasibility study is completed, need to do bankable business case.	SMME Development, Job Creation, Tourism promotion		
KwaShushu Hotspring & Intunjambili	TBC	1,500,000			Maphumulo	Basic Feasibility done, require to do the bankable business case.	SMME Development, Job Creation, Tourism promotion		

All the projects are at various stages of progress that include business case development, funding application and implementation.

### **1.3.4 Challenges**

The 2017/18 financial year has not been without challenges. The following were the challenges faced by the Agency that are to be addressed in the new financial year and going forward:

- Change management – ability to instill a private sector mindset to the staff has been a challenge. This is exacerbated by the fact that, to a certain extent, even the Shareholder still views the Agency as a department of the municipality.
- Lack of capacity for project management – majority of employees concentrated on agricultural sector.
- Lack of capacity to source funding - no dedicated resource or even funding available. This results in the Agency having to use external resources at risk which slows down the process.
- Marketing, communication and brand positioning – this is a result of lack of financial resources.

### **1.3.5 Conclusion**

As much as there has been a fundamental shift in the positioning of the Agency in the District during the 2017/18 financial year, it is important to note that there is still a vast amount of work for the Agency to do in order to adequately achieve aspirations of:

- Becoming the implementing agent of choice for all LED projects and programs in the District.
- Being a subject matter expert in the implementation of the radical economic transformation policy in the District.
- Developing and implementing best business practices that will ensure:
  - Quality of service to all our clients & communities
  - Speed of service in the projects implementation and SCM.
  - That EI becomes the employer of choice

### **1.3.6 Appreciation**

My sincere thanks and gratitude goes to the Board of Enterprise iLembe for their strategic guidance and direction, to my management team and staff for their dedication and hard work and to our shareholder iLembe District Municipality for your ongoing support and commitment.



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**Nathi Nkomzwayo**  
**Chief Executive Officer**

## **MISSION**

*To facilitate economic development in the iLembe District by using best practice and principles*

### **1.4 Executive Summary**

The call by various stakeholders for the District Development Agency to take a meaningful role in addressing the triple challenge of high unemployment, poverty, and inequality necessitated that the Agency do an introspective exercise with the aim of strategically repositioning itself. In order for the Agency to fulfil its mandate and contribute towards poverty eradication in the district, a new strategic positioning for the entity was developed.

Three (3) identified strategic pillars were identified that would ensure growth and delivery to the mandate and set the tone of how Enterprise iLembe plans to take a lead in the local economic development in the district from the start of the new financial 2017/18 year. The three identified strategic pillars are:

- Financial sustainability of the Agency
- Business Development
- Stakeholder Engagement

### **1.5 Strategic Objectives & Functions**

#### **1.5.1 Agency Mandate**

- ◊ Develop, review and strengthen the local economic development strategy on behalf of the district and family of municipalities;
- ◊ Champion a wide range of activities which emerge as important from the family of IDPs and LED Strategies;
- ◊ Co-ordinate LED activities to ensure alignment and integration;
- ◊ District marketing and promotion of tourism and investment promotion;
- ◊ Facilitate the identification, packaging and implementation of catalytic projects in the four key sectors and new sectors;
- ◊ Provide professional and multi-skilled support and networking services to major investors who wish to invest in the region;
- ◊ Work with local government to facilitate a business enabling environment;
- ◊ Implement business, retention and expansion (BR&E) programmes in partnership with local business;
- ◊ Build twinning relationships with developed regions nationally and internationally;

- ◊ Social Risk Management.

## 1.5.2 Key Strategic Goals & Objectives

### STRATEGIC GOAL 1:

*Facilitate the packaging & implementation of projects in existing and new sectors*

#### Objectives

- Implement and ensure sustainability of existing projects
- Identify and package new projects in existing sectors
- Tap into available programs to create more black industrialists

### STRATEGIC GOAL 2:

*Market and Promote the iLembe District as an Investment, Tourism & Business Destination*

#### Objectives:

- To attract interest for new investment to iLembe District
- To increase visitor numbers to iLembe District
- To support new tourism product development and the geographical spread of tourism

### STRATEGIC GOAL 3:

*Research other potential growth sectors in addition to the current four sectors of main focus*

#### Objectives:

- To identify and package projects in new sectors
- Tap into available programs to create more black industrialists

### STRATEGIC GOAL 4:

*Identify, build and co-ordinate partnerships among socio economic stakeholders*

#### Objectives:

- Facilitate Business Retention and Expansion
- Support Entrepreneurship Development

### STRATEGIC GOAL 5:

*Facilitate research that assists with Policy Development and formulation that impacts the mandate of the Agency*

#### Objectives:

- Identify policies and Acts that effect the Agency
- Research Team
- Research that will influence the decision making process

### STRATEGIC GOAL 6:

*Influence policy and the regulatory environment for socio economic development an investment*



Objectives:

- Identify existing structures and leverage of those
- If none, create structures
- Use structures to engage government
- Include issues of infrastructure and spatial planning
- Influence infrastructural and spatial planning.

**1.5.3 Roles & Responsibilities**

It is the role of Enterprise iLembe to facilitate and promote socio economic development in the region. The role of Enterprise iLembe can be further defined as follows;

- Nurture new ideas which have commercial potential AND have high impact potential in regards to poverty alleviation, jobs and empowerment.
- Build partnerships between public sector, support institutions, private sector and the community.
- Build partnerships within each locality and support one another in service delivery.
- Collectively bridge the gap between 1<sup>st</sup> & 2<sup>nd</sup> economies through catalytic & high-impact projects.

## **1.6 Audit Committee Report**

The Audit Committee hereby presents its report to the Board for the year ended 30 June 2018.

### **Terms of reference**

The mandate of the Audit Committee is legislated in terms of section 166 of the Municipal Finance Management Act, 2003 (MFMA) which requires the Audit Committee to advise the Accounting Officer and Council on matters relating to: Internal financial control and internal audits; risk management; adequacy, reliability and accuracy of financial reporting and information; Accounting policies; performance management and evaluation; effective governance; Compliance with the MFMA, the Annual Division of Revenue Act (DORA) and any other applicable legislation and / or policies and any other issues referred to it by the municipality.

The Audit Committee is also required to fulfill the functions of a Performance Management Committee constituted in terms of Regulation 14(2) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

The MFMA also requires the Audit Committee to review the annual financial statements, respond to Council on matters raised by the Auditor General and carry out investigations into the financial affairs of the Municipality.

#### **1.6.1. Audit Committee composition and attendance**

The Audit Committee comprises four independent members. The members have diverse skills and experience. The term for the previous audit committee members ended in January 2018. The new Audit Committee was appointed in February and held its first meeting in May 2018. The Audit Committee is required to meet at least 4 times per annum as per the requirements of the MFMA and the audit committee charter.

An independent member chairs the Committee. Both the Internal and External Auditors have unrestricted access to the Audit Committee.

The table below sets forth the membership, dates of appointment, termination and attendance at meetings of the committee for the period ended 30 June 2018.

Name	Meetings attended	19 Aug 2017	17 Nov 2017	23 May 2018
Mr SD Mngoma (chairperson)	01	<input type="checkbox"/>	<input type="checkbox"/>	
Mr D Bosch	01	<input type="checkbox"/>		
Ms S Singh	02	<input type="checkbox"/>	<input type="checkbox"/>	
Mr S L Ndlovu	03	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mr S Z Hlophe	01			<input type="checkbox"/>
Ms B Zulu	01			<input type="checkbox"/>
Ms S Gertze	01			<input type="checkbox"/>

The following are standing invitees to the Audit Committee Meetings:

Representative from Auditor-General (AG)

Representatives from Provincial Treasury and COGTA

Internal Audit

The Chief Executive Officer (CEO)

The Chief Financial Officer (CFO)

Heads of Departments

#### 1.6.2. Audit Committee's Responsibility

The Audit Committee operates under written terms of reference, the audit committee charter which is approved by the Board annually. These terms of reference are in line with the requirements of section 166 of the MFMA and Treasury Regulation 27.1.

In the conduct of its duties, the Audit Committee has performed the following statutory duties:

##### **Internal Audit and Internal Control**

In line with the requirements of the MFMA the Internal Audit provides the Audit Committee and Management with assurance as to whether the internal controls are appropriate and effective. This is achieved by means of the risk based internal audit plan which is approved by the Audit Committee annually.

The internal audit function of the entity is currently outsourced. We report that there was a gap of 3 months (December 2017- February 2018) where the entity had no Internal Audit. We recommend that proper planning be adhered to avoid this in future.

The Audit Committee did not approve the Internal Audit Plan for 2017/18 financial year (this had to be revised as it was prepared by the previous contractor and had not been finalized by financial year end).

### **1.6.3. Risk Management**

The Audit Committee is responsible for oversight of the internal and external auditors as well as financial reporting. Because the assessment of internal controls over financial reporting is risk-based, the Audit Committee is responsible for overseeing management's risk policies and discussing the key risk exposures with management.

The Entity conducted a risk assessment workshop during the start of the financial year and the top key risks were identified, measured and prioritised and the updated risk register was adopted on 1 July 2017. The one measure risk introduced was the implementation of MSCOA, the new reporting standards introduced by Treasury, which was implemented by the entity on 1 July 2017 as legislated.

At a meeting held on 23 May 2018, the Risk Management Reports were presented to the Audit Committee. Based on our review and observations we are comfortable that the Enterprise adequately manages all critical risks faced by the organization.

### **ICT Governance and ICT Operations**

ICT is the integral part of the organization. There were no reports or issues raised to Audit Committee relating to ICT. The Audit Committee resolved that the issues of ICT Governance be a standing item in our Agenda.

### **Evaluation of Financial Reports and Annual Financial Statements**

For the reporting period under review, the Audit Committee was able to evaluate the following: Annual Performance Report and Annual Financial Statements were presented to the Audit Committee. The Audit Committee reviewed the AFS through reports from Internal Audit in this regard and through scrutiny and engagement with management. We are satisfied that the AFS presented are credible and present the true reflection of the financial affairs of the enterprise. With regards to APR this was reviewed through scrutiny and engagement with management. We are satisfied of the progress made at an organizational level.

With regards to AG Action Plan, the management confirmed that the issues raised by AG are being attended to. We evaluated this through an Action Plan progress report submitted to Audit Committee. We are satisfied that these matters are addressed adequately.



We are comfortable that MSCOA compliant has progressed adequately and through engagement with the District Municipality we are satisfied with the support provided to the Enterprise. During the review of AFS we noted that the AFS were in accordance with MSCOA.

#### **1.6.4. Performance information**

The Audit Committee also serves as the Performance Audit Committee for the Enterprise. The legal responsibilities of the Audit Committee in this regard are set out in terms of the Local Government: Municipal Planning and Performance Management Regulations 2001.

As indicated above the Audit Committee reviewed the Annual Performance Report for the year ended 30 June 2018. The enterprise has met its performance target measured at an organizational level. The Audit Committee recommends a review of performance targets so to be realistic and in line with smart principles.

#### **1.6.5. Recommendations**

The Board and management at all levels should continue with commitment to optimally use scarce resources, cash-flow and sustainability plans and regular monitoring and evaluation to ensure that the Enterprise iLembe continues as a going concern.

The Board and management need to continuously monitor and review internal controls. The Chief Executive Officer must ensure that there are consequences for non-adherence with internal controls.

The Chief Executive Officer and management should ensure that credible, reliable and accurate financial and performance information is submitted quarterly for review by the Board and the Audit Committee.

The Chief Executive Officer should ensure that recommendations of internal and external audits are implemented as per the action plans and report progress on a quarterly basis. This should assist to prevent irregular, fruitless and wasteful expenditure as well as non-compliance with laws and regulations.

The Chief Executive Officer and the Board should explore possible alternative funding for Local Economic Development projects.

#### **1.6.6. Conclusion**

The implementation and maintenance of proper systems of internal controls, risk management, the prevention of fraud and errors, safeguarding of the assets of the enterprise and compliance with relevant laws and regulations, are the responsibility of the Board. The role of the audit committee is to monitor the efficiency of the procedures and mechanism which the Board has put in place in order to ensure that its policies and procedures are adhered to.

The Audit Committee remains committed in assisting and supporting the Board in the execution of its mandate and towards managing the financial affairs in accordance with the law.

On behalf of the Audit Committee

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**Silas Hlophe**

**Chairperson of the Audit Committee**

**January 2019**

## CHAPTER 2 – SERVICE DELIVERY & PERFORMANCE HIGHLIGHTS

### 2.1 Key Successes & Challenges

- Enterprise iLembe received its fourth consecutive clean audit opinion
- The successful engagement with COGTA and submission of revised business plans to the same on historical debt created by misallocation of corridor projects fund resulted in the containment of usage of unauthorized funds which thus resulted in the healthy current and quick ratio for the entity.
- The Agency managed to achieve a circa 25% increase in revenue as part of its efforts to maximize revenue and ensure financial sustainability.
- There has been an increase on percentage of fresh produce procured from within the District from 35% to 60%.
- There has been an increase in number of small scale farmers supported by the Agency from 31 to 35.
- There is a lack of capacity for project management as a majority of employees are concentrated on agricultural sector.
- There is a lack of capacity to source funding for new projects; no dedicated resource or even funding available. This results in the Agency having to use external resources at risk which slows down the process.

### 2.2 Projects Undertaken

#### 2.2.1 Multi-Year Funded Projects

PROJECT NAME	PROJECT DESCRIPTION & STATUS QUO
iLembe Vineyards and Winery Project	<p><b>Project Budget 17/18: R250 000</b></p> <p>The iLembe vineyards and winery project is a two-phased project which involves the establishment of a primary Villard Blanc crop for further processing in a winery established as a first of its kind in the District. A total of 12 hectares of vines have been planted across Mandeni, Maphumulo and Ndwedwe. The winery is located at the Collisheen Estate in the Sugar Rush park which is being developed into a tourism precinct. The Winery currently processes and bottles a white cultivar wine from grapes grown by the communities within iLembe District.</p> <p>1787 wine has been expanded by sourcing different cultivars from Kloof Wine Estates in Cape Town, which consists of 1000 bottles of wine for each of these cultivars which are Sauvignon Blanc, Chenin Blanc, Rose, Merlot, Cabernet Sauvignon. The wine is marketed and sold at various events</p>

	and activations. Enterprise iLembe is in the process of renewing its Liquor Licence which allows for the selling of the wine on the Sugar Rush premises.
<b>iLembe Open Farms</b>	<p><b>Project Budget 17/18: R 1 000 000</b></p> <p>The project entails establishing and supporting community-based co-operatives to operationalize sustainable agricultural farms to produce cash crops for both the community's needs and for sale to the Department of Education's National School's Nutrition Programme. This programme has opened up sustainable and reliable markets for the local small-scale farmers. The Department is in need of 64 tons of vegetables such as cabbages; butternut; spinach; carrot and green beans weekly for supply to the National Schools Nutrition programme.</p> <p>Enterprise iLembe supported a total of 20 farms.</p> <p>This supports entails the provision of mechanization, supply of chemicals, fertilizers, seeds, seedlings, technical advice and mentorship to the farmers in the four local municipalities. Though Enterprise iLembe endeavors to establish projects that are not only sustainable but also ensures that there is sufficient skill transfer to enable the farmers to become self-sufficient entrepreneurs. Climatic challenges and financial resources is forcing the Entity to review this programme and find a much sustainable and practical approach of supporting farmers without creating financial dependency and burden on the organization. The planting plan is one such tool that will ensure that the project is self-sufficient.</p> <p>Through LDS Charities there are six (6) projects that have been funded with fencing, borehole drilling, insulated storage containers and irrigation. The assistance given to these projects will assist in ensuring crops that are scarce in the NSNP are planted since there is intensive irrigation.</p>
<b>Agricultural Hydroponic Tunnels</b>	<p><b>Project Budget 17/18: R 2 500 000</b></p> <p>The agricultural hydroponic tunnels project became a stimulus for agro processing within the District. With the collective establishment of 8 hydroponic tunnels within all four local municipalities (four sites) the tunnels tapped into a niche market by growing high value crops for sale in retail stores.</p> <p>Mandeni tunnels are under production and the current service provider Farley Farms is producing cucumbers with a specific market of Checkers and RSA agent based in the Durban Fresh Produce Market in Clairwood.</p> <p>Maphumulo Tunnels have both been repaired, tested and handed over. The site currently does not have a water source for irrigation and fertigation, hence water tankers from IDM were requested for irrigation testing. Bulwer Tunnels are sitting at 96% of repair completion; and Enterprise iLembe is in the process of finalizing an agreement with a potential technical partner; and engagements with suppliers that supply</p>



	inputs have also commenced. Enterprise iLembe will budget for repairs to Ndwedwe Tunnels in the next financial year.
<b>National Schools Nutrition Programme Processing Facilities</b>	<p><b>Project Budget 17/18: R9 055 559</b></p> <p>In the past three (3) years, the processing facilities have offered a logistical solution to the National School's Nutrition Programme [NSNP], by providing a facility where vegetables sourced from the local farms can be cleaned, packaged, stored and dispatched to the 409 schools within the District.</p> <p>Four [4] Hubs are now fully functional which are Mandeni and Maphumulo. A new panel of fifty-seven [57] local transporters have been appointed through SCM processes which are utilized to transport vegetables to schools as part of the NSNP. Enterprise iLembe has further appointed a service provider to build two cold storages in Maphumulo and Mandeni.</p> <p>Enterprise iLembe had engagements with the Acting Director-Department of Education [DoE] to site challenges experienced in the implementation of this programme which included the possibilities of changing the menu, re-calculation of tonnages, substitution of commodities which are out of season, revised calendar to be in-line with kilometres; and the increased in the costs of running the programme resulting in the need to review the rate/fee at which the programme is being operated.</p> <p>There is not enough produce from local farms to feed into the NSNP, as farmers are apprehensive to plant for the National School's Nutrition Programme; and farmers require technical and financial assistance to produce quality vegetables.</p>
<b>District Wide Business Incubator</b>	<p><b>Project Budget 17/18: R 1 000 000</b></p> <p>Goshen Entrepreneurship Hub consultants was appointed to conduct a feasibility study and develop a business plan to inform the establishment of a business incubation facility. The project phases as per the submitted inception report have been completed which are the Project start up, Needs analysis, Options analysis; and the phases still outstanding are Business Incubator Modelling and Financial Modelling and business Plan. The project is scheduled to be completed at the end of July 2019.</p> <p>iLembe District Municipality will be providing 43 sub-contracted SMMEs and budget to train SMMEs. A Business Incubator registration form has been drafted and circulated to Agency officials and Local Municipality's LED Offices to inform other interested SMMEs to register and be part of the programme where they will receive training, mentorship, business compliance, access to market, funding information; and office space depending on the business needs. An advert had gone out on tender for the appointment of the implementing agent and Enterprise Development Manager to assist in sourcing business services and</p>

	implementation of the Business Incubator. In the new financial year, Ei will be appointing an Enterprise Development Manager and Implementing Agent.
<b>Maphumulo Integrated Energy Centre [IEC]</b>	<p><b>Project Budget 17/18: R 750 000</b></p> <p>Engen is proposing to construct an Integrated Energy Centre (IEC) in Glendale, KwaMaphumulo. The site is approximately 0.63ha in extent. The development will entail shops, new canopy, internet café/computer room, library, boardroom &amp; toilets, distribution centre, Underground storage tanks, 43 parking bays, Septic tank and soakaway. Unga Trading 7 has been appointed to conduct professional services for Geohydrological Investigations, Designs and Drawings, Land Surveying, SPLUMA Application, Traffic Engineering and Project Management in preparation for the construction of the Maphumulo IEC Project.</p>

## 2.3 Capital Used

REVENUE	Actual 2018 R	Budget 2018 R	Variance 2018 %
Opening accumulated surplus	28 771 300	23 607 178	(10%)
Operating income for the year	43 306 793	42 465 421	(2%)
Total	72 078 093	66 072 599	
EXPENDITURE			
Operating expenditure for the year	41 598 214	42 160 525	1%
Closing accumulated surplus	33 106 150	23 607 078	(22%)
Total	74 704 364	65 767 603	

In the 2017/2018 financial year R20, 8 million was spent on projects. Details set out below.

Projects	2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance %	Total Project Value
LED Projects	3 183 000	3 383 000	3 582 999	(6%)	
Agri Processing	376 194				
Tourism	1 135 697	1 636 951	2 361 636	(31)	
IDM Development of SMME's	500 000	500 000	500 000		
NSNP	16 774 721	18 216 040	14 336 387	21%	
<b>TOTAL</b>	<b>21 960 612</b>	<b>23 735 991</b>	<b>20 781 022</b>		

## 2.4 Job Creation & Skills Development

### 2.4.1 Unemployment Rate

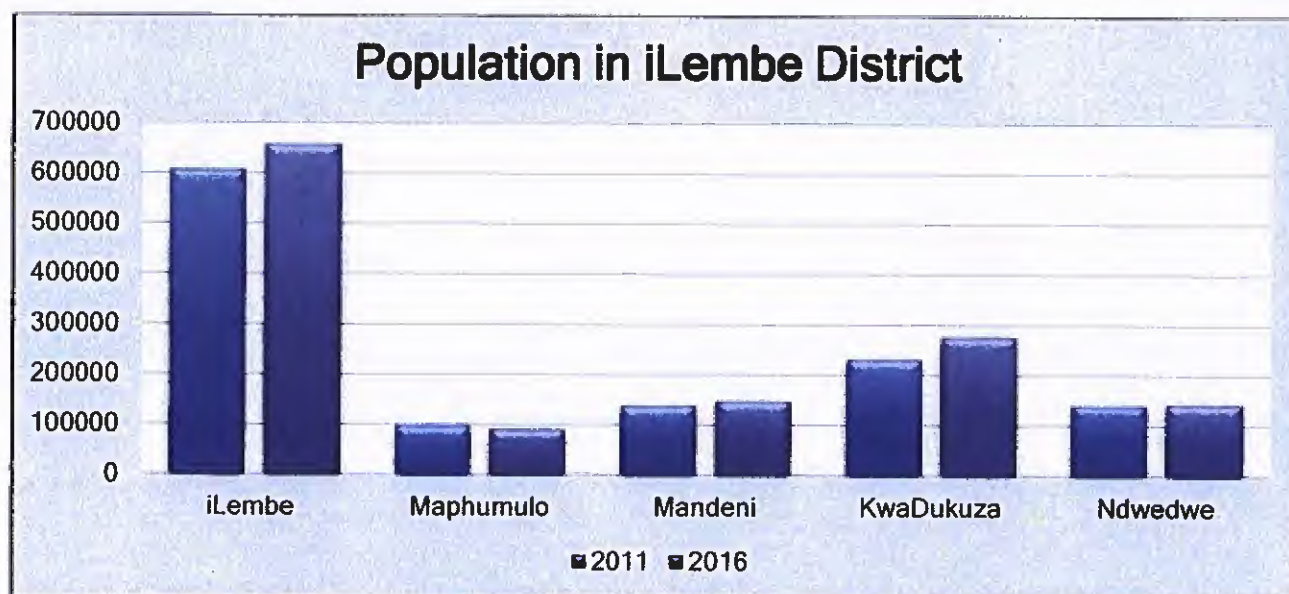
Despite its strategic location, iLembe faces numerous economic challenges such as the high levels of poverty in the rural inland areas, which contrasts with rapid development along its coastal regions. The District has been proactive in developing broad based interventions to facilitate local economic development in response to its challenges of high rates of unemployment and correspondingly high levels of poverty.

The district's unemployment rate is 31% in general and 37% amongst the youth (15-35). While unemployment is above the national average, it is below average for KZN. Youth unemployment is substantially lower than both the national and KZN average (with the exception of Maphumulo and Ndwedwe). The majority of employment in iLembe is in the wholesale, retail and trade industry (21%), community services (17%) and manufacturing industry (17%). The majority of employment in Ndwedwe is in agriculture, the majority of employment in Mandeni is in manufacturing while employment in Maphumulo is being sustained by government employment, and employment in KwaDukuza is the most diversified across all sectors.

#### ► Demographics

	2011	2016
iLembe	606808	657612
Maphumulo	96724	89969
Mandeni	138078	147808
KwaDukuza	231187	276719
Ndwedwe	140820	143117

Source: Stats SA





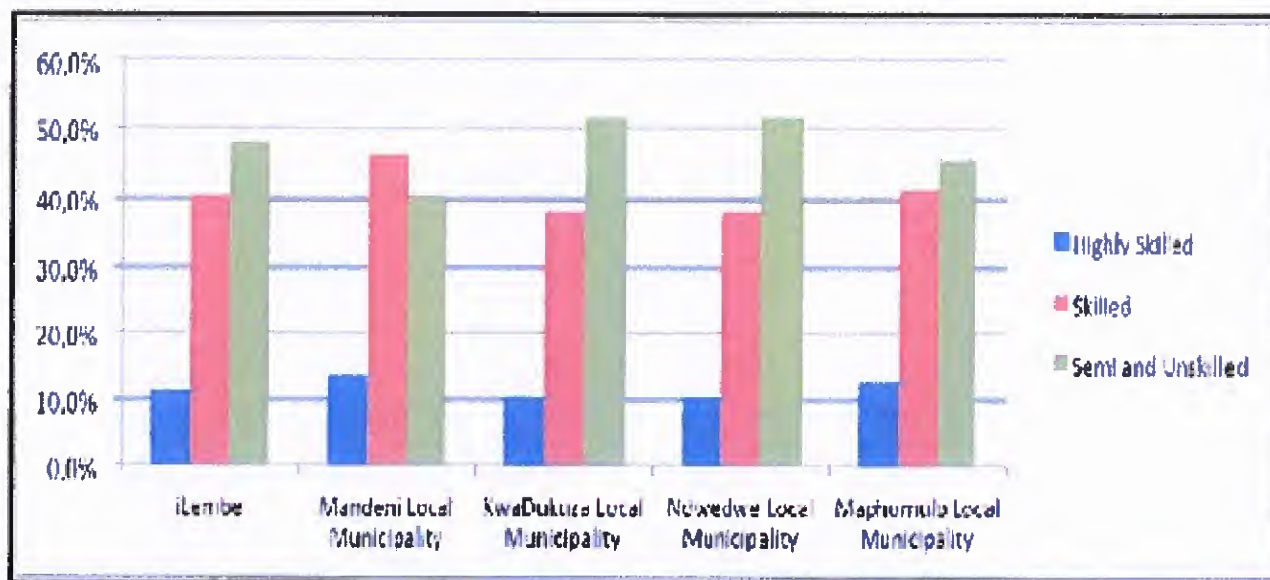
### ➤ Unemployment Rate

Unemployment Rate (%)			Youth (15-34) Unemployment Rate (%)	
	2001	2011	2001	2011
iLembe	48.0	30.6	55.8	37.2
Maphumulo	75.9	49.0	83.3	58.4
Mandeni	45.1	28.6	51.5	34.6
KwaDukuza	34.3	25.0	42.6	30.8
Ndwedwe	67.8	48.7	76.4	58.3
Key Indicator			iLembe	KwaZulu-Natal
			2011	2011
Unemployment	Unemployment Rate		30.60%	33.00%
	Youth Unemployment Rate		37.20%	42.10%
Type of Employment %	Formal		76.81%	76.98%
	Informal		23.19%	23.02%

Source: Stats SA

### ➤ Employment by Type and Skills Level

Below is a figure indicating the breakdown of formal employment into the three skills categories. Between 10% and 13% of the formally employed in all municipalities are highly skilled, with 13% of those formally employed in Mandeni being highly-skilled. This is mainly attributed to the industrial development within the Isithebe Industrial Estate which attracts a greater number of highly-skilled workers to the area.



Source: KZN Treasury



## 2.4.2 Enterprise iLembe Projects: Direct Jobs Created/Retained

PROJECT NAME	2016/2017	2017/2018
iLembe Agri-Hubs/ Processing Facility	12	15 [including 3 market loaders]
Tunnels	37	37
iLembe Vineyards	49	47
iLembe Open Fields	680	820
<b>TOTAL</b>	<b>778</b>	<b>919</b>

## 2.4.3 Number of new co-operatives registered by Enterprise iLembe

NO.	NAME	DATE REGISTERED	AREA	TOTAL NO. MEMBERS	NO. FEMALES	NO. MALES	NO. YOUTH >35
1	Imbewenhle Grout	2017/006585/24	KwaDukuza	5	4	1	1
2	Okwama Africa	2017/007372/24	KwaDukuza	5	0	5	5
3	Seed Of Opportunities Youth	2017/007027/24	KwaDukuza	6	0	6	6
4	Trendsetters	2017/007743/24	KwaDukuza	6	1	5	4
5	Nkanini	2017/008613/24	KwaDukuza	5	3	2	2
6	Umvoti Grout	2017/007265/24	KwaDukuza	6	2	4	1
7	Khanyisani Youth	2017/009888/24	KwaDukuza	5	3	2	5
8	Impandenhle Youth	2017/011717/24	KwaDukuza	8	7	1	8
9	Memory Eco	2017/011771/24	KwaDukuza	6	1	5	6
10	Insika Yomuntu	2017/012406/24	KwaDukuza	7	4	3	3
11	Shilas Women's	2017/012545/24	KwaDukuza	14	14	0	1
12	Uhlumo	2018/000064/24	KwaDukuza	5	3	2	5
13	Siyakhula Landscaping	2018/000287/24	KwaDukuza	5	3	2	4
14	iBest Group	2018/000971/24	KwaDukuza	6	2	2	6
15	FASSAS	2018/001506/24	KwaDukuza	5	3	2	5
16	Integral Waste Management	2018/000597/24	KwaDukuza	5	3	2	5
17	Imfihlo KaShaka	2018/004038/24	KwaDukuza	10	6	4	6
18	Sinamumva	2018/004369/24	KwaDukuza	5	2	3	0

19	Siqalokwethu	2018/006375/24	KwaDukuza	12	10	2	7
20	Somlilo	2017/007583/24	Ndwedwe	6	4	2	4
21	Uzekhelhelo Women's	2017/007796/24	Ndwedwe	5	5	0	2
22	Thandanani	2017/008238/24	Ndwedwe	9	8	1	0
23	Siyabekezela	2017008224/24	Ndwedwe	7	6	1	0
24	Kingdom Culture	2017/101094/24	Ndwedwe	5	5	0	5
25	Sifisa Okuhle	2017/010690/24	Ndwedwe	6	5	1	1
26	Swayimane KayiPhuku	2017/011034/24	Ndwedwe	5	5	0	2
27	Umtombongashi	2017/012805/24	Ndwedwe	8	5	3	3
28	KwaDlulubuke 19	2018/000157/24	Ndwedwe	6	6	0	4
29	Ubumbano Lwamakhosikazi AkwaNyuswa	2018/000184/24	Ndwedwe	5	3	2	2
30	Shwama X Express	2018/000940/24	Ndwedwe	5	2	3	4
31	Thafamasi	2018/004271/24	Ndwedwe	6	5	1	2
32	Vuthela Craft and Detergents	2018/005521/24	Ndwedwe	6	5	1	3
33	Senhlanhlani	2018/006178/24	Ndwedwe	7	7	0	0
34	Asenze	2018/006175/24	Ndwedwe	6	6	0	2
35	Impilo Entsha YamaMbedu	2017/007814/24	Maphumulo	7	4	3	1
36	KwaQoko	2017/010767/24	Maphumulo	5	2	3	4
37	Siyofika	2017/012252/24	Maphumulo	9	9	0	0
38	Fihla Usizi	2017/012644/24	Maphumulo	5	2	3	2
39	Poyinandi	2018/000350/24	Maphumulo	7	7	0	7
40	Mantenga Sivuno	2017/007178/24	Mandeni	6	3	3	3
41	BuhlebaMacambi	2017/007376/24	Mandeni	10	10	0	0
42	Sibuyisa umnotho wethu	2017/012768/24	Mandeni	8	2	6	8
43	Vunumusa	2018/004675/24	Mandeni	5	5	0	1
44	Masihlangane	2018/004658/24	Mandeni	8	8	0	0

## **2.5 Performance Management**

The Entity utilises the Service Delivery Budget Implementation Plan (SDBIP) as a performance management tool for the Entity as an organisation. Reporting using this performance plan is conducted on a monthly and quarterly basis to the shareholder; iLembe District Municipality and includes portfolio of evidence. The performance management unit of iLembe District Municipality and the internal auditors (appointed by Enterprise iLembe) conduct a review and audit of the reports; this is then followed with coaching sessions held with the Chief Executive Officer of the Entity and the Municipal Manager of the District.

In respect of individual staff members, the Job Descriptions of employees have been reviewed to be in line with the actual tasks and duties being performed by each person. Review sessions are held with each staff member with the respective manager and CEO. Individual performance plans are aligned to the Entity's SDBIP.

### **2017/2018 Budget Performance**

The total annual budget for 2017/2018 financial year for Enterprise iLembe amounted to R42.1 million of which R20.6 million was allocated for projects and R21, 4 million was allocated for operational costs. The Entity relies on the district for funding as well as the payment from DOE for the supply of fresh produce to schools within the district, for the NSNP project. The department pays an average of 60 cents per child per day to run this project.

The National Schools Nutrition Programme (NSNP) was allocated only R18, 2 million for the current financial year by the Department of Education (DOE). The Entity used the entire amount allocated, but there was an amount of R5, 3m owing by the department at the end of the financial year.

The Entity spent their total allocation from the district. Overall, the performance of the Entity was satisfactory, as can also be ascertained by studying the annual performance report for the 2017/2018 financial year.

### 3.1 Organisational Structure 2017/2018

**Resignations in the 2017/2018 financial year.**



### 3.2 Institutional Transformation & Employment Equity

In compliance with the Employment Equity Act, 55/1998, the Enterprise iLembe's Employment Equity Plan has been crafted with the aim to remedy any form of discrimination in the workplace by removing all barriers in the employment policies, practices.

Affirmative Action has been defined as the tool to implement immediate positive remedial action. Programs and procedures to address both historic and existing inequalities and imbalances of the past are being implemented.

The Entity acknowledges the value of retaining staff especially employees with scarce skills and those who possess experience that is required for the Entity to fulfill its objectives. The Entity recognises that in order for it to be able to retain staff, it is very important to create an environment that encourages staff not only to succeed in their jobs but also to grow and achieve their personal development goals and aspirations.

DESIGNATION	NUMBER	MALE	FEMALE	BLACK	WHITE	INDIAN
Board	7	4	3	6	1	-
CEO	1	1	-	1	-	-
CFO	1	-	1	1	-	-
Managers	2	-	2	1	-	1
Total Staff	28	10	18	24	2	2



## **CHAPTER 4 – AUDITED STATEMENTS & RELATED INFORMATION**

### **4.1 Financial Statements & Related Information**

Attached hereto as **ANNEXURE A**

### **4.2 Report of the Auditor General**

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on ILembe Management Development Enterprise (Pty)Ltd

#### **Opinion**

1. I have audited the financial statements of the iLembe Management Development Enterprise (Pty) Ltd set out in **Annexure A** which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the ILembe Management Development Enterprise (Pty) Ltd as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

#### **Basis for the opinion**

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Other matter**

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### Unaudited disclosure notes

7. In terms of section 125(2)(e) of the MFMA, the municipal entity is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

#### **Responsibilities of the accounting authority for the financial statements**

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Division of Revenue Act ( Act No 3 of 2017) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the ILembe Management Enterprise (Pty) Ltd ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

#### **Auditor-general's responsibilities for the audit of the financial statements**

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

#### **Report on the audit of the annual performance report**

##### **Introduction and scope**

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipal entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or

assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priority presented in the annual performance report of the municipal entity for the year ended 30 June 2018:

<b>Development priority</b>	<b>Pages in the annual performance report</b>
KPA 1 – local economic development	<b>Annexure B</b>

15. I did not raise any material findings on the usefulness and reliability of the reported performance information for this development priority.

#### **Other matter**

16. I draw attention to the matter below.

#### **Achievement of planned targets**

17. The annual performance report on **Annexure B** includes information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets.

#### **Report on the audit of compliance with legislation**

##### **Introduction and scope**

18. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipal entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
19. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

#### **Other information**

20. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa ( Act No 71 of 2008). The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.



21. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
22. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. I did not identify any inconsistencies in the report.
23. I have nothing to report in this regard.

**Internal control deficiencies**

24. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
25. I did not identify any significant deficiencies in internal control.

*Auditor-General*

Pietermaritzburg

30 November 2018



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT**

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priorities and on the municipal entity's compliance with respect to the selected subject matters.

### **Financial statements**

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also: identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity's internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
  - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ILembe Management Development Enterprise (Pty) Ltd's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipal entity to cease continuing as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### **Communication with those charged with governance**

3. I communicated with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

### **4.3 Chief Financial Officer's Report for the period 2017/2018**

#### **4.3.1 Introduction**

iLembe Management Development Enterprise (Pty) Ltd, trading as Enterprise iLembe, as an Entity of iLembe District Municipality (IDM), relies heavily on the operational grant that it receives from the district in order to run the daily operations. As such, it is notable that even with the limited resources the Entity has, the year ended 30 June 2017, has been a productive one, but of course not without challenges. The Entity has managed to fulfil its objective and mandate as given, which is the provision of the Local Economic Development within the iLembe District, which includes the promotion of tourism and investment, this through a number of sectors where impact has been made. The financial resources available have been stretched in a way that has allowed the Entity to function in a productive manner.

The funding sources currently available for the Entity includes allocations from IDM, an allocation from the Department of Education (DOE) for the running of the National Schools Nutrition Programme (NSNP) and small amounts earned as interest from amounts invested periodically.

During the 2017/18 financial year, the Entity repaired the Maphumulo tunnel and is looking for a technical partner in order to operationalize the tunnel. The Bulwer tunnel is currently vacant after the last tenant was removed due to non-payment whilst the tunnel in Mathonsi – Mandeni is currently being leased to Farley Farm. The Entity also encountered challenges due to changing financial systems, which are in the process of being resolved, with the measure ones having been resolved already. This is being monitored very closely as it also coincided with the implementation of MSCOA.

Below is the summary of the financial position and performance of the Entity.

#### **4.3.2 Operating results**

Details of the operating results are included in the annual financial statements, which are part of this Annual Report. A summary of the results is as follows

<b>REVENUE</b>	<b>Actual 2018 R</b>	<b>Budget 2018 R</b>	<b>Variance 2018 %</b>
Opening accumulated surplus	28 771 300	23 607 178	(10%)
Operating income for the year	43 306 793	42 465 421	(2%)
Total	72 078 093	66 072 599	
<b>EXPENDITURE</b>			
Operating expenditure for the year	41 598 214	42 160 525	1%
Closing accumulated surplus	33 106 150	23 607 078	(22%)
Total	74 704 364	65 767 603	

The variances for the 2017/2018 financial year are immaterial, the Entity received its budgeted revenue as anticipated and the expenditure was within the budgeted amount.

An amount of R20 557 476 was spent on projects during the 2017/18 financial year as follows

<b>PROJECT</b>	<b>2017/18 R</b>
LED Projects including Open Fields	3 582 999
Tourism Projects	2 361 636
IDM Development of SMME's	500 000
National Schools Nutrition Programme (NSNP)	14 336 387
<b>TOTAL</b>	<b>20 781 022</b>

One of the challenges that Enterprise iLembe faced during the 2017/2018 financial year was the timing of the receipt of grants from IDM, which were not received at stipulated times during the year, as well as DOE not paying (the same thing happened during the last financial year) the balance of invoices for the last three months of the financial year.

During the last financial year, 2016/2017, the Department of Education (DOE) owed the Entity R4, 2m. During the current financial year, 2017/2018 DOE again owed the Entity an amount of R5, 2m. The Entity continued with the NSNP project which involves paying suppliers for the produce procured from them as well as the Durban Fresh Produce Market and transporters who are contracted to deliver the vegetables to the schools.

The Entity has signed a three-year SLA with DOE with effect from July 2017 to June 2020.



### 4.3.3 Unspent conditional grants

The following amounts with regards to conditional grants were unspent as at 30 June 2018:

<b>GRANT</b>	<b>Unspent Grant June 2018 R</b>
District Growth and Development Summit	131 369
Maphumulo IEC Grant	700 000
<b>TOTAL</b>	<b>831 369</b>

The entity received a grant of R300 000 from COGTA for the district growth and development summit. The unspent amounts have been communicated with COGTA and a request for the roll-over will be submitted as soon as unspent amounts are audited and confirmed by Auditor General. The amount for Maphumulo is for the energy center, which is a partnership with Maphumulo Municipality and Engen, and Enterprise iLembe is facilitating on their behalf. The amount was received in June and the project will commence in July 2018.

### 4. Accumulated surplus

The accumulated surplus as at 30 June 2018 was R32 592 575.

### 5. Cash and cash equivalents

As at 30 June 2018 the cash and cash equivalents held by Enterprise iLembe were as follows:

<b>DETAILS</b>	<b>R</b>
Cash at bank	206 180
Current Investments	4 904 313
<b>TOTAL</b>	<b>5 110 493</b>

### 6. Expression of appreciation

A successful year is never a one man's victory, but a collective effort from all other stakeholders involved in the running of the Entity.

It is in this spirit that I would like to extend a heart-felt appreciation to the Chairman of the Board, the Board Members, the audit committee, the Heads of Departments within the Entity, the finance staff and the rest of staff within the Entity for their support and assistance. Special appreciation is also given to the Office of the Auditor-General for their support and assistance in resolving issues that arise during our interactions.

I would also like to extend my appreciation to our shareholder, iLembe District Municipality, for their continued support and working together with us to fulfil our mandate as Enterprise iLembe.



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S.N. MTHEMBU

Chief Financial Officer

**ENTERPRISE ILEMBE**  
**AUDIT ACTION PLAN AS AT 30 JUNE 2018**

## AG FINDINGS

				<p>1.3. As per our mandate, El procures vegetables from farmers within the ilembe District (when available) to supply to schools for the NSNP. The agency will look into amending the SCM Policy to accommodate this as no tender processes are followed in the procurement of vegetables.</p>	30-Jun-18	After intensive discussions with the relevant stakeholders, including the AG who indicated that they could not formally advise on this matter, the agency opted to use Regulation 36 as opposed to amending the policy due to the nature of the NSNP in that the agency dictates the prices that it is willing to pay to the farmers, no quotes are obtained from the farmers and it is impractical to conduct supplier in service of the state verifications on these farmers after the produce has been taken from them, as the agency will still be liable for payment.	100%
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# CHAPTER 5 – FUNCTIONAL SERVICE DELIVERY & REPORTING

## 5.1 Service Level Agreement

Enterprise iLembe has a Service Level Agreement with iLembe District Municipality. The SLA guides the mandate of the Entity and sets out the function and services to be delivered as follows,

1. Project Management Unit: Using the Project Management Unit for developing and implementing detailed service delivery plans within the framework of the municipality's IDP;
2. Promotion of Social and Economic Development: To promote integrated and equitable social and economic development within the district as a whole by taking appropriate steps to enhance such development;
3. Tourism: Promotion of local tourism for the area of the district municipality;
4. Markets: The establishment, conduct and control of fresh produce markets serving the area of a major portion of the municipalities in the district;
5. Abattoirs: The establishment, conduct and control of abattoirs serving the area of a major portion of the municipalities in the district;
6. Airports: Municipal airports serving the area of the district municipality as a whole
7. Incidental Powers: The right to exercise any power concerning a matter reasonably necessary or incidental to the effective performance of the functions, the exercise of the power and the provision of the services in the paragraph 1 to 7 above.

The following items are not the core function of the Agency:

- Project Management Unit
- Social development
- Markets
- Abattoirs

***The SLA will be reviewed in the 2018/2019 financial year.***

### Reporting

The Chief Executive Officer as the Accounting Officer has been mandated by the Board of Enterprise iLembe to report to the shareholder; iLembe District Municipality and any other relevant structures. In addition to the various Intergovernmental (IGR) structures, regular meetings are held between the Board of Enterprise iLembe and principals of the District. The CEO and management of the Entity participate and report into the following structures;

- o iLembe District Management Committee Meetings (MANCO)

- o Economic Development Portfolio Committee
- o Executive Committee Inter-Governmental Forums
- o Provincial Forums

The Shareholder; iLembe District Municipality also has ex-officio representation on the Board of Enterprise iLembe.

## CHAPTER 6 – ANNUAL PERFORMANCE REPORTING

In terms of section 93B of the Municipal Systems Act (MSA), the parent municipality must ensure that the performance objectives and indicators for the municipal Entity are established by agreement with the Entity and included in the municipal Entity's multi-year business plan in accordance with section 87 (5) (d) of the Municipal Finance Management Act (MFMA). It is for this reason that the report for the Enterprise iLembe has been included in the Annual Performance Report.

### 6.1 Organisational Scorecard – Service Delivery Budget Implementation Plan (SDBIP) 2017/2018

Attached hereto as **ANNEXURE B**

### 6.2 Highlights on Actual Performance

FINANCIAL YEAR	TARGET MET	% ACHIEVED
2017/2018	38 out of 43	88%
2016/2017	26 out of 35	74%
2015/2016	39 out of 44	87%
2014/2015	29 out of 39	74%
2013/2014	21 out of 29	72%

In terms of section 122 of the MFMA the Accounting Officer's assessment of performance against measurable performance objectives set by iLembe District Municipality is as follows;

#### Performance Highlights

The National Schools Nutrition programme is on track with 63% produce procured from Local iLembe farmers. LED forum meetings are held quarterly. A total of 7 Agriparks meetings were held to date. One tunnel is ready for operations in Maphumulo.

In terms of tourism, a progress report has been prepared on the feasibility study conducted for new tourism initiatives. A total of 6 exhibitions were attended, 6 adverts/advertorials were in relevant publication, one official Tourism Travel guide for 2018/2019 was developed, quarterly tourism industry research performance reports has been prepared.

The large catalytic projects have been identified and packaged for funding and the entity is facilitating the implementation of 2 identified projects. Two business confidence index have been developed. The investment promotion strategy was adopted and circulated. The investor prospectus has been reviewed.

A total of 22 business networking sessions were attended/hosted, 2 progress reports were submitted on the entrepreneur competition. Thirty-nine new co-ops were registered; 94 co-ops were trained and 15 co-ops and SMMES were assisted with funding applications.

The skills audit reported was prepared in May 2018. Two programmes were rolled out in terms of the capacity building and mentorship support for small enterprises, the 2 incubation programmes were the District Wide Incubator and the Sfera Panel beaters programme. Two engagement sessions with local business were done. The broadband package application to source funding was done, DBSA and DTI have been identified as funders.

#### Challenges

Only 11 board meetings and board sub-committee meetings were held against a target of 12 for the 2017/2018 financial year due to the cancellation of a scheduled meeting to take place in June 2018.

#### Measures to improve performance

The board meeting will be held in the first quarter of the 2018/2019 financial year.

### **6.3 Conclusion**

Enterprise iLembe's value statement will always be;

***"Economic Development that will change the lives of people"***



**ILEMBE MANAGEMENT DEVELOPMENT  
ENTERPRISE (PTY) LTD**

**TRADING AS  
ENTERPRISE ILEMBE**

**REGISTRATION NUMBER: 2006/032665/07**



**UNAUDITED ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2018**

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**REGISTRATION NUMBER: 2006/032665/07**  
**UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**REGISTRATION NUMBER: 2006/032665/07**  
**UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**General Information**

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Country of Incorporation	South Africa
Legal form of entity	(Pty) Ltd
Nature of business	Local Economic Development
Chief Executive Officer	Mr Nkosinathi Nkomzwayo
Chief Financial Officer	Mrs Sinegugu Mthembu
Controlling Entity	iLembe District Municipality
Auditors	Auditor-General of South Africa
Bankers	First National Bank
Postal Address	P O Box 593 Ballito 4420
Physical Address	Sangweni Tourism Centre Cnr. Ballito Drive and Link Road Ballito 4420
Contact No.	032-9461256
Fax No.	032-9463515
Web Address	<a href="http://www.enterpriseilembe.co.za">www.enterpriseilembe.co.za</a>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**REGISTRATION NUMBER: 2006/032665/07**  
**UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**Chief Executive Officer's Responsibility and Approval**

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The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

I am responsible for the preparation of the annual financial statements, set out on pages 2 to 38, in terms of the Company's Act No. 71 of 2008 as amended and section 126 (1) of the Municipal Finance Management Act of 2003, which I have signed on behalf of iLembe Management Development Enterprise (Pty) Ltd.



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**Nkosinathi Nkomzwayo**  
**Chief Executive Officer**

---

**29-Nov-18**  
**Date**



**Directors' Responsibilities and Approval**

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The directors are required by the Municipal Finance Management Act (Act No. 56 of 2003) and the Companies Act (Act No. 71 of 2008 as amended) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related information. The auditors are responsible to report on the fair presentation of these statements. The financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board.

The directors are also responsible for the company's systems of internal financial control. These are developed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately verify and maintain accountability of assets, and not absolute, assurance as to the reliability of the financial statements and to adequately verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of directors to indicate that any material breakdown in the functioning of these controls, procedures and systems occurred during the year under review.

The annual financial statements have been prepared on the going concern basis. The Board of Directors has adopted this basis of accounting after having made enquiries of management and given due consideration to information presented to the Board, including budgets and cash flow projections for the year ahead and key assumptions and accounting policies relating thereto. Accordingly, the Directors have no reason to believe that the municipal entity will not continue as a going concern in the year ahead.

To enable the directors to meet these responsibilities, the directors set standards of internal controls aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities with a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity.

All employees are required to maintain the highest ethical and integrity standards in ensuring that the municipal entity's business practices are conducted in a manner, which in all reasonable circumstances, is above reproach. The concept of reasonable assurance recognises that the

  
**Khanyisani Shandu**  
**Chairman of the Board**

**29-Nov-18**  
**Date**

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**REGISTRATION NUMBER: 2006/032665/07**  
**UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**Directors' Report**

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The following report is submitted in terms of section 30(3) of the Companies Act, 2008, for the period ended 30 June 2018.

**General Review**

The municipal entity was incorporated on 27 October 2008 and replaced the Ilembe Development Foundation which was incorporated on 8 November 2002 and commenced business operations on 1 July 2016. The change was necessary to comply with Section 93 of the Municipal Systems Act. Subject to this there has been no material change in the nature or conduct of the municipal entity's business during the period under review. The financial statements adequately disclose the results of the operations for the period under review and the state of the municipal entity's affairs for the period ended 30 June 2018.

**1. Nature of Business**

The municipal entity has been formed as a local economic development agency of the Ilembe District Municipality to promote economic growth. The municipal entity was formed in terms of the Municipal Systems Act No. 32 of 2000 and the Municipal Finance Management Act No. 56 of 2003.

**2. Going Concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

**3. Material Agreement**

The entity currently has an agreement with the Department of Education (DOE), whereby the entity runs the National Schools Nutrition Program (NSNP) and DOE provides funding for this programme. There is a Service Level Agreement in this regard.

**4. Financial results of the company**

The annual financial statements on pages 2-38 set out fully the financial position and results of operations and cash flows of the entity for the year ended 30 June 2018

**5. Subsequent Events**

The directors are not aware of any matter or circumstance arising since the end of the financial period under review that would impact on the fair presentation of the financial statements presented.

**6. Share Capital**

Issued share capital is 100 shares at the value of R1.00 each.

**7. Dividends**

No dividends have been proposed or declared during the year under review, nor are any recommended.

**8. Directors**

The directors of the entity during the year and to date of this report are as follows:

<b>Name</b>	<b>Details</b>
KS Shandu - Chairperson	Appointed November 2015
AT Nzama - Deputy Chairperson	Appointed February 2017
DN Nene	Appointed November 2015
JC Oelofse	Appointed February 2017
ZS Gumede	Appointed February 2017
N Mngadi	Appointed February 2017
P Mngadi	Appointed February 2018

Fees for a retainer and attendance at meetings totalling R550 896 (R563 686 in June 2017) were paid during the period under review. See note 15 of the Annual Financial Statements.

## 9. Economic Entity

As an entity of the iLembe District Municipality, the following are applicable in terms of reporting structures:

- The Acting Municipal Manager of iLembe District Municipality - Mr G Kumalo
- The Chair of the Economic Development Portfolio Committee - the Deputy Mayor of iLembe, Cllr D Shandu

## 10. Directors' interest in contracts

Fees for a retainer and attendance at meetings totalling R550 896 (R563 686 in June 2017) were paid during the period under review. See note 15 of the Annual Financial Statements. The directors have declared interest in companies they are part of, but none that are linked to the entity.

## 11. Corporate Governance

### 11.1 Board Meetings

The board has 2 sub committees outside of the board committee. As a board, they are required to meet at least 4 times annually. The schedule below indicates the meetings held and attended thereof.

Name	Board Committee	Tourism and Investment	HR and Finance
Number of meetings	4	2	3
KS Shandu - Board Chairperson	4	2	N/A
AT Nzama - Deputy Board Chairperson &	4	2	N/A
DN Nene - HR & Finance Sub-Committee Chair	2	N/A	3
JC Oelofse	4	1	2
ZS Gumede	4	2	N/A
N Mngadi	4	N/A	1
B Mngadi	1	N/A	1

Mr B. Mngadi was only appointed on February 2018, hence he attended only one board meeting during the 2017/2018 financial year.

### 11.2 Audit Committee Meetings

The Audit Committee currently comprised of independent, external members and is required to meet at least 4 times per annum as per the MFMA. Additional meetings may be called for as the need arise. Only 3 meetings were held during the 2017/2018 financial year due to the delays in the process of getting new audit committee. Members' attendance at the meetings is listed below:

Name	Number of Meetings Attended	
	Current Committee	Previous Committee
S. Hlophe - Acting Chairperson	1	N/A
S Gertze	1	N/A
Z. Bongekile	1	N/A
S.L Ndlovu	1	2
D. Bosch - Previous Chairperson	N/A	1
S Singh	N/A	2
S.D Mngoma	N/A	2

The entity appointed a new audit committee following the expiry term of the previous committee. The first seating was in May 2018.

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
STATEMENT OF FINANCIAL POSITION  
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018

	Note	2018 R	2017 R
<b>ASSETS</b>			
<b>Current assets</b>		<b>12 200 751</b>	<b>6 653 287</b>
Vat Receivable	3	507 974	347 660
Inventory	4	283 018	178 285
Receivables	10	6 299 265	5 607 014
Cash and cash equivalents	11	5 110 493	520 348
<b>Non-current assets</b>		<b>24 470 598</b>	<b>25 372 829</b>
Property, Plant and Equipment	6	24 079 198	24 980 802
Biological Assets	7	391 400	390 000
Intangible Assets	8	-	2 027
<b>Total Assets</b>		<b>36 671 349</b>	<b>32 026 117</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>3 565 099</b>	<b>3 254 817</b>
Payables	1	2 733 731	2 496 564
Unspent Conditional Grants and Receipts	2	831 369	758 253
<b>Total Liabilities</b>		<b>3 565 099</b>	<b>3 254 817</b>
<b>Net Assets</b>		<b>33,106,250</b>	<b>28,771,300</b>
<b>NET ASSETS</b>			
Accumulated Surplus		33 106 150	28 771 200
Issued Share Capital	9	100	100
<b>Total Net Assets</b>		<b>33,106,250</b>	<b>28,771,300</b>



**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018**

<b>REVENUE</b>	<b>Note</b>	<b>2018 R</b>	<b>2017 R</b>
<b>Revenue from exchange transactions</b>			
Rental Income	12	66 087	72 000
Interest Received	13	273 047	253 120
Other Income	15	106 764	47 038
National Schools Nutrition Income	16	18 031 479	9 055 559
<b>Total Revenue from exchange transactions</b>		<b>18 477 377</b>	<b>9 427 717</b>
<b>Revenue from non-exchange transactions</b>			
Government grants and subsidies	14	24 829 416	21 481 452
<b>Total Revenue</b>		<b>43 306 793</b>	<b>30 909 169</b>
<b>EXPENDITURE</b>			
Depreciation, Amortisation & Impairment	5	1 163 571	1 177 002
Employee Related Costs	17	14 356 698	12 065 818
Directors Fees	18	550 856	563 685
Repairs and Maintenance	19	2 119 131	1 777 242
Contracted Services	20	16 230 803	9 862 235
General Expenses	21	7 138 611	3 959 664
Loss on Disposal	25	38 545	803 638
<b>Total Expenditure</b>		<b>41 598 214</b>	<b>30 209 284</b>
<b>Surplus / (Deficit) for the year</b>		<b>1 708 579</b>	<b>699 885</b>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018**

	Note	Shares R	Accumulated Surplus/ (Deficit) R.	Total Net Assets R
<b>Opening Balance 1 July 2016</b>		100	19,552,495	19 552 595
Deficit for the year		-	574 173	574 173
Prior period error	29	-	2 299 593	2 299 593
<b>Balance at 30 June 2017</b>		100	21 277 914	21 278 015
Prior period error	29	-	7 493 286	7 493 286
<b>Restated Balance at 30 June 2017</b>		100	28,771,200	28,771,301
<b>Opening Balance 1 July 2017</b>		100	28,771,200	28 771 300
Surplus for the year		-	1,708,579	1 708 579
Adjustments		-	2 626 371	2 626 371
<b>Balance at 30 June 2018</b>		100	33,106,150	33 106 250

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**CASH FLOW STATEMENT**  
**UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018**

	Note	2018 R	2017 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts government and other		45 360 667	34 814 597
Cash paid to suppliers and employees		( 35 839 354)	( 33 448 893)
Cash generated/(utilised) from operations	23	9 521 313	1 365 704
Interest received		273 047	253 120
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>9 794 360</b>	<b>1 618 824</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6,7,8	( 299 903)	( 1 318 543)
Increase in current investments		( 4 904 313)	( 6 563)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>( 5 204 216)</b>	<b>( 1 325 106)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>4 590 144</b>	<b>293 718</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>520 348</b>	<b>226 630</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	24	<b>5 110 492</b>	<b>520 348</b>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS  
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018

Description	2017/2018					Comments
	Original Budget R	Adjustment Budget R	Actual outcome June 2018 R	YTD Budget June 2018 R	Variance R	Explanation of material variances over 10%
<b>Financial Position</b>						
<b>Current assets:</b>						
Receivables from exchange transactions	1,277,231	1,277,231	6,299,265	6,299,265	-	0% Immaterial
Cash and Cash Equivalents	1,500,000	1,500,000	5,110,493	5,110,493	-	0% Immaterial
<b>Non-current assets</b>						
Property, plant and equipment	26,335,705	26,335,705	24,079,198	24,079,198	-	0% Immaterial
Biological assets	2,774,800	2,774,800	391,400	391,400	-	0% Immaterial
Intangible assets	8,360	8,360	-	0	-	0% Immaterial
<b>Total Assets</b>	<b>31,896,096</b>	<b>31,896,096</b>	<b>36,388,331</b>	<b>35,880,356</b>	<b>507,974</b>	
<b>Current liabilities:</b>						
Payables from exchange transactions	224,449	224,449	2,733,731	2,733,731	-	0% Immaterial
Unspent conditional grants and receipts	8,064,469	8,064,469	831,369	831,369	-	0% Immaterial
<b>Total Liabilities</b>	<b>8,288,918</b>	<b>8,288,918</b>	<b>3,565,099</b>	<b>3,565,099</b>	<b>-</b>	
<b>Net Assets</b>	<b>23,607,178</b>	<b>23,607,178</b>	<b>32,823,231</b>	<b>32,823,231</b>	<b>-</b>	
Accumulated surplus	23,607,078	23,607,078	33,106,150	33,106,150	-	0% Immaterial
Share capital held by Municipality	100	100	100	100	-	0% Immaterial
<b>Total Net Assets</b>	<b>23,607,178</b>	<b>23,607,178</b>	<b>33,106,250</b>	<b>33,106,250</b>	<b>-</b>	
<b>Financial Performance</b>						
Interest on investments	219,912	219,912	273,047	219,912	53,135	24% The increase is due to amounts invested for longer than previous financial year. Budget was an estimate from past years.
Government grants and subsidies	25,139,672	23,904,732	24,829,416	23,904,732	924,684	4% Immaterial
Other income	16,894,721	18,340,777	18,204,330	18,340,777	(136,447)	-1% Immaterial
<b>Total Revenue</b>	<b>42,254,305</b>	<b>42,465,421</b>	<b>43,306,793</b>	<b>42,465,421</b>	<b>841,372</b>	



Description	2017/2018					Comments	
	Original Budget R	Adjustment Budget R	Actual outcome June 2018 R	YTD Budget June 2018 R	Variance R		% Variance
Employee Related Costs	15,691,374	13,741,204	14,356,698	13,741,204	615,494	4%	Immaterial Immaterial Decrease is due to write-offs, reassessment of useful lives The budget for repairs of hubs was not spent as assessment indicated new refrigerators must be bought - this will be done in the next financial year. Immaterial Immaterial
Directors' fees	674 160	600,000	550,856	600,000	(49,144)	-8%	
Depreciation, Amortization & Impairment	1 180 696	1,491,696	1,163,571	1,491,696	(328,125)	-22%	
Repairs and maintenance	3,218,250	3,418,250	2,119,131	3,418,250	(1,299,119)	-38%	
General expenses	6,543,148	6,906,715	7,177,155	6,906,715	270,440	4%	
Contracted services	14,805,913	16,002,661	16,230,803	16,002,661	228,142	1%	
Total Expenditure	42,113,541	42,160,526	41,598,214	42,160,526	(562,312)		
Surplus/(Deficit) before tax	140,764	304,895	1,708,579	304,895	1,403,684		
Tax	-	-	478,402	-	-		
Surplus/(Deficit) after tax	140,764	304,895	1,230,177	304,895	1,403,684		
Statement of changes in net assets							
Balance as at 1 July 2017	23 607 178	23 607 178	21,278,015	21,278,015	-	0%	
Correction Prior Year Period	-	-	10,119,657	10,119,657	-	0%	
Surplus/(Deficit) for the year	(970,000)	(970,000)	1,708,579	1,708,579	-	0%	
Balance as at 30 June 2018	22 637 178	22 637 178	33,106,251	33,106,251	-		
Cash Flows							
Receipts	7,579,571	30,437,913	45,633,714	45,633,714	-	0%	
Payments	2,156,146	30,294,213	35,839,354	35,839,354	-	0%	
Net cash flows from operating activities	5,423,425	143,700	9,794,360	9,794,360	-	0%	
Net cash flows from investing activities	(30,217)	(1,313,825)	(5,204,216)	-5,204,216	-	0%	
Cash/cash equivalents at the beginning of the year	528,988	513,441	520,348	520,348	-	0%	
Cash/cash equivalents as at 30 June 2018	5,922,196	-656,684	5,110,492	5,110,492	0		

The budget is approved on an accrual basis by nature classification. The approved budgets cover the period 1 July 2017 to 30 June 2018.

The budget and accounting bases are the same as both are on the accrual basis. The financial statements are prepared using a classification on the nature of expenses in the statement of financial performance.

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**1 BASIS OF PREPARATION**

**1.1 STATEMENT OF COMPLIANCE**

These annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 BASIS OF MEASUREMENT**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis measurement, unless specified otherwise.

**1.3 FUNCTIONAL AND PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipal entity. All financial information has been rounded to the nearest Rand.

**1.4 OFFSETTING**

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipal entity has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

**1.5 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipal entity will continue to operate as a going concern for at least the next 12 months.

**1.6 USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future.

**1.7 COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The municipal entity shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis. All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget. The municipality shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget.

**1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipal entity.

GRAP 20 Related Party Disclosures - issued June 2011

GRAP 32 Service Concession Arrangements: Grantor - issued August 2013

GRAP 108 Statutory Receivables - issued September 2013

GRAP 109 Accounting by Principals and Agents

IGRAP 17 Service Concession Arrangements where a Grantor Controls a significant residual interest in an asset

Management have considered all of the above mentioned GRAP standards approved or issued but not yet effective and anticipates that the adoption of these standards will not have a significant on the financial position, financial performance or cashflows of the entity.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

The following significant accounting policies had been applied consistently during the current and previous reporting. as set out in the note 1.2. been applied

### **2.1 PROPERTY. PLANT AND EQUIPMENT**

#### **2.1.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipal entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipal entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipal entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipal entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### **2.1.3 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets.

Furniture and equipment	7-10 years
Machinery and equipment	5-10 years
Computer equipment	5 years
Agriculture PPE	10-30 years
Buildings	30 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipal entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### **2.1.4 DERECOGNITION**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **2.1.5 LEASED ASSETS**

Leases in terms of which the municipal entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

### 3 BIOLOGICAL ASSETS

#### 3.1 INITIAL RECOGNITION

Biological assets are fair valued at the end of each accounting period. Biological assets that have not produced crops are valued at cost while in the case where crops are present the value of the crop at the end of the accounting period is taken into account to arrive at the fair value.

#### 3.2 SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, biological assets are measured at fair value less estimated cost to sell.

#### 3.3 DERECOGNITION

Biological assets are derecognized when they are impaired. An independent expert valuer will evaluate the assets to get the fair value at the end of the financial year. The report from the valuer is then used to adjust the fixed asset register. The gains or losses are recognized in accumulated surplus or deficit.

### 4 INTANGIBLE ASSETS

#### 4.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipal entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipal entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipal entity intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipal entity has the resources to complete the project; and
- it is probable that the municipal entity will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipal entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### 4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### 4.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software and websites 5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipal entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.



#### **4.4 DERECOGNITION**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **5 INVESTMENT PROPERTY**

#### **5.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipal entity measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

#### **5.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

### **6 INVENTORIES**

#### **6.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, excluding taxes, transport costs and any other costs in bringing inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

#### **6.2 SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the first in first out method.

### **7 FINANCIAL INSTRUMENTS**

#### **7.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value. The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when the entity becomes a party to the contractual provisions of this instrument.

#### **7.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities are measured either at fair value or amortised cost or cost.

##### **7.2.1 INVESTMENTS**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

### **7.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

### **7.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

### **7.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipal entity categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

## **8 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

## **9 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipal Entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

## **10 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

## 11 LEASES

### 11.1 MUNICIPAL ENTITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipal entity.

#### Initial Recognition

Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments.

#### Measurement

The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipal entity uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

#### Subsequent Recognition

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

### 11.2 MUNICIPAL ENTITY AS LESSOR

Under a finance lease, the municipal entity recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipal entity, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## 12 REVENUE

### 12.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipal entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

#### Recognition

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipal entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

#### Measurement

Monetary arising out of a contractual agreement, such as cash and receivables are initially measured at fair value on acquisition date.

## **12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipal entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipal entity. Where public contributions have been received but the municipal entity has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipal entity.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

## **12.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## **13 VALUE ADDED TAX (VAT)**

The municipal entity accounts for VAT on the cash basis. The municipal entity is liable to account for VAT at the standard rate 15% (14% until 31 March 2018) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipal entity accounts for VAT on a bi-monthly basis.

## **14 INCOME TAX**

The municipal entity is registered for income tax purposes and is liable for income tax at the corporate rate of 28%. Income tax returns are up to date as at 30 June 2017. Current year tax return will be submitted by due date.

## **15 RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control; or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

## **16 EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

## **17 IMPAIRMENT OF ASSETS**

### **17.1 Recognition**

The municipal entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipal entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipal entity also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

## 17.2 Measurement

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

## 17.3 Reversal of Impairment

The municipal entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

# 18 EMPLOYEE BENEFITS

## 18.1 Short-Term Employee Benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the entity expects to pay in exchange for that service and had accumulated at the reporting date.

## 18.2 Post-Employment Benefits

### 18.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the entity pays fixed contributions into a separate entity. The entity has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employees all the benefits relating to service in the current or prior periods.

The entity's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

### 18.2.2 Termination Benefits

Termination benefits are recognised as an expense when the entity is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.



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	2018 R	2017 R
<b>1 PAYABLES</b>		
<b>1.1 Payables</b>		
Payables from exchange transaction	1 166 748	1 088 736
Other creditors	339 103	578 740
<b>Total Creditors</b>	<b>1 505 851</b>	<b>1 667 476</b>
<b>1.2 Provision for Leave</b>		
Opening balance	829 088	554 077
Movement	398 792	275 011
<b>Closing Balance</b>	<b>1 227 880</b>	<b>829 088</b>
<b>Total Payables</b>	<b>2 733 731</b>	<b>2 496 564</b>
<b>UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>2 RECEIPTS</b>		
Tourism King Shaka Route	-	57 000
Tourism Grant	-	501 254
LED Grant	-	199 999
Maphumulo IEC Grant	700 000	-
District Growth and Development Summit - 2018	131 369	-
<b>Total Conditional Grants and Receipts</b>	<b>831 369</b>	<b>758 253</b>
<b>3 VALUE ADDED TAXATION</b>		
<b>Vat Receivable</b>	<b>507 974</b>	<b>347 660</b>
<b>4 INVENTORY</b>		
<b>Balance as at year end</b>	<b>283 018</b>	<b>178 265</b>
Inventory comprise of own produce - bottled and unbottled as well as wine purchased for resale.		
<b>5 DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>		
Depreciation	1 162 099	1 115 759
Amortisation	1 472	2 091
Impairment	-	59 152
	<b>1 163 571</b>	<b>1 177 002</b>

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6 PROPERTY, PLANT & EQUIPMENT

Reconciliation of Carrying Value 2017/2018

	OTHER ASSETS				Total
	Buildings	Agricultural Assets	Furniture and Equipment	Computer Equipment	
	R	R	R	R	R
<b>Carrying Values at 1 July 2017</b>	<b>929 137</b>	<b>18 162 559</b>	<b>340 102</b>	<b>5 549 004</b>	<b>24 980 802</b>
Cost	155 517	18 956 064	631 376	610 454	20 353 411
WIP	818 811	5 777 329	-	5 221 181	11 817 321
Accumulated depreciation	( 45 192)	( 6 570 834)	( 291 273)	( 282 630)	( 7 189 930)
Depreciation	( 20 621)	( 968 186)	( 72 342)	( 100 951)	( 1 162 099)
Acquisitions	53 247	-	128 352	118 304	299 903
Transfer to completed assets	( 818 811)	-	-	-	( 818 811)
<b>Carrying Value of disposals</b>	<b>-</b>	<b>-</b>	<b>3 002</b>	<b>36 409</b>	<b>39 411</b>
Cost	-	-	69 613	244 596	314 209
Accumulated depreciation	-	-	( 66 611)	( 208 188)	( 274 799)
<b>Carrying Values at 30 June 2018</b>	<b>961 763</b>	<b>17 194 373</b>	<b>393 113</b>	<b>5 529 949</b>	<b>24 079 198</b>
Cost	1 027 576	18 956 064	690 117	484 162	21 157 919
WIP	-	5 777 329	-	5 221 181	10 998 510
Accumulated depreciation	( 65 813)	( 7 539 020)	( 297 004)	( 175 393)	( 8 077 230)

Included in the carrying value are assets under construction as follows:

5,777,329

**Biodiesel Equipment** - The equipment was bought between the 2010/2011 and the 2011/2012 financial years as part of the biodiesel project funded by the department of COGTA, where the idea was to produce diesel using the moringa plant. The plant dried out during the drought season that affected the district and was subsequently wrote off during the 2015/2016 financial year. The agency has made a submission to COGTA requesting the project to be written off and the equipment channeled to a new project under Biomass.

**Broadband** - The broadband project is also a project that happened between the 2010/11 and 2011/12 financial years, whereby the ICT infrastructure was installed. (incl. fiber optic cables). The total cost of rolling out this project was estimated to be about R400m, funding which has not materialized as yet.

5,221,181  
**10,998,510**

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
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Reconciliation of Carrying Value 2016/2017	Buildings R	Agricultural Assets	Furniture and Equipment	Computer Equipment R	Total R
<b>Carrying Values at 1 July 2016</b>	<b>117 010</b>	<b>15 638 932</b>	<b>261 737</b>	<b>5 436 181</b>	<b>22 453 860</b>
Cost	155 517	18 698 576	527 420	416 340	19 797 853
WIP	-	5 777 329	-	5 221 181	10 998 510
Accumulated depreciation	( 38 508)	( 7 836 973)	( 265 683)	( 201 340)	( 8 342 504)
<b>Prior Year Depreciation and Impairment Correction</b>					
		2 278 323	39 800	( 17 747)	2 300 376
<b>Acquisitions</b>					
Adjustment on cost	-	303 836	103 956	91 940	499 732
	-	-	-	102 174	102 174
<b>WIP</b>					
	818 811	-	-	-	818 811
<b>Write Offs at Book Value</b>					
Cost	-	19 238	-	-	19 238
Accumulated Depreciation	-	46 347	-	-	46 347
	-	( 27 110)	-	-	( 27 110)
<b>Depreciation</b>					
	( 6 684)	( 980 142)	( 65 390)	( 63 543)	( 1 115 759)
<b>Impairment Loss</b>					
		( 59 152)			( 59 152)
<b>Carrying Values at 30 June 2017</b>	<b>929 137</b>	<b>18 162 559</b>	<b>340 102</b>	<b>5 549 004</b>	<b>24 980 802</b>
Cost	155 517	18 956 064	631 376	610 454	20 353 411
WIP	818 811	5 777 329	-	5 221 181	11 817 321
Accumulated depreciation	( 45 192)	( 6 570 834)	( 291 273)	( 282 630)	( 7 189 930)

7 BIOLOGICAL ASSETS

Reconciliation of Carrying Value 2017/2018

Carrying Values at 1 July 2017

Cost  
Accumulated depreciation

Acquisitions

Gain on Fair value

Carrying Values at 30 June 2018

Cost  
Accumulated depreciation

Moringa Plantation R	Vineyards R	Total R
-	390 000	390 000
1,064,800	1,710,000	2,774,800
(1 064 800)	(1 320 000)	(2 384 800)

-

-

1 400

1 400

-	391 400	391 400
1,064,800	1,710,000	2,774,800
(1 064 800)	(1 318 600)	(2 383 400)

Reconciliation of Carrying Value 2016/2017

Carrying Values at 1 July 2016

Cost  
Accumulated depreciation

Acquisitions

Loss on Fair value

Carrying Values at 30 June 2017

Cost  
Accumulated depreciation

Moringa Plantation R	Vineyards R	Total R
-	1 174 400	1 174 400
1,064,800	1,710,000	2,774,800
(1 064 800)	( 535 600)	( 1 600 400)

-

-

(784,400)

( 784 400)

-	390,000	390 000
1,064,800	1,710,000	2,774,800
(1 064 800)	(1 320 000)	(2 384 800)

8 INTANGIBLE ASSETS

Reconciliation of Carrying Value 2017/2018

Carrying Values at 1 July 2017  
Cost  
Accumulated Amortisation

Acquisitions

Write Offs at Book Value  
Cost  
Accumulated Depreciation

Amortisation

Carrying Values at 30 June 2018  
Cost  
Accumulated Amortisation

Software R	Total R
2,027	2 027
28,816	28 816
(26,789)	( 26 789)
-	-
555	555
28 816	28 816
( 28 261)	( 28 261)
( 1 472)	( 1 472)
-	-
-	-

Reconciliation of Carrying Value 2016/2017

Carrying Values at 1 July 2016  
Cost  
Accumulated Amortisation

Acquisitions

Amortisation

Carrying Values at 30 June 2017  
Cost  
Accumulated Amortisation

Software R	Total R
4,118	4 118
28,816	28 816
(24,698)	( 24 698)
(174)	-
(2,091)	( 2 091)
2,027	2 027
28,816	28 816
(26,789)	( 26 789)



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	2018 R	2017 R
<b>9 ISSUED SHARE CAPITAL</b>		
<b>Name of company</b> Ilembe District Municipality		
Carrying amount	100	100
% Holding	100%	100%
Ordinary Shares: 100 @ R1 each		
<b>10 RECEIVABLES</b>		
<b>10.1 Receivables from Exchange Transactions</b>		
Provincial Department of Education	5 325 361	4 271 492
SARS	224 280	697 473
Other Debtors	76 649	72 000
<b>Total Receivables from Exchange Transactions</b>	<b>5 626 290</b>	<b>5 040 965</b>
<b>10.2 Other Receivables</b>		
Ilembe District Municipality	646 625	526 779
Deposits	26 350	39 270
<b>Total Receivables from non-exchange transactions</b>	<b>672 975</b>	<b>566 049</b>
<b>Total Receivables</b>	<b>6 299 265</b>	<b>5 607 014</b>
<b>11 CASH AND CASH EQUIVALENTS</b>		
<b>11.1 Bank Accounts</b>		
<b>11.1.1 Rocabex - Trust Bank Account - Kloof Branch</b>		
<i>First National Bank Account</i>		
<i>Account Number 62347813471: Current Account</i>		
Cash book balance at the beginning of the year	205 218	205 218
Cash book balance at the end of the year	205 218	205 218
Bank statement balance at the beginning of the year	205 218	205 218
Bank statement balance at the end of the year	205 218	205 218
The entity is currently in the process of closing the Rocabex account since it is dormant		
<b>11.1.2 First National Bank Account - Main Bank Account - Stanger Branch</b>		
<i>Account Number 62450574077: Cheque Account</i>		
Cash book balance at the beginning of the year	308 223	20 187
Cash book balance at the end of the month	91	308 223
Bank statement balance at the beginning of the year	308 223	20 187
Bank statement balance at the end of the month	91	308 223
<b>Total Bank Accounts</b>	<b>205 309</b>	<b>513 441</b>
Petty Cash	870	344
	<b>206 180</b>	<b>513 785</b>
<b>11.2 Current Investments</b>		
<b>11.2.1 First National Bank Account - Business Investment Desk Branch</b>		
<i>Account Number 74767676876 Fixed Maturity Notice</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	1 003 710	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	1 003 710	-
<b>11.2.2 First National Bank Account - Business Investment Desk Branch</b>		
<i>Account Number 74767678161 Fixed Maturity Notice</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	1 000 000	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	1 000 000	-

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	2018 R	2017 R
<b>11.2.3 First National Bank Account - Business Investment Desk Branch</b> <i>Account Number 74769875781 Fixed Maturity Notice</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	805 994	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	805 994	-
<b>11.2.4 First National Bank Account - Business Investment Desk Branch</b> <i>Account Number 62602914138 - Call Account</i>		
Cash book balance at the beginning of the year	6 563	-
Cash book balance at the end of the year	16 111	6 563
Bank statement balance at the beginning of the year	6 563	-
Bank statement balance at the end of the year	16 111	6 563
<b>11.2.5 Investec - Grayston Drive Branch</b> <i>Account Number 1100546992530 Business Top5</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	2 078 498	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	2 078 498	-
<b>Total Current Investments</b>	<b>4 904 313</b>	<b>6 563</b>
<b>CASH &amp; CASH EQUIVALENTS</b>	<b>5 110 493</b>	<b>520 348</b>
<b>12 RENTAL INCOME OF FACILITIES</b>		
Bulwer Tunnels	40 000	72 000
Mathonsi Tunnels	26 087	-
	<b>66 087</b>	<b>72 000</b>
The rental income relates to the agreements in place between the Agency and Njinji (for the Bulwer Tunnel) and Farley Farms (for the Mathonsi Tunnel).		
The agreement with Njinji was terminated due to non-payment of rent and amounts recovered through invoices owed to the company for the supply of produce.		
The agreement with Farley is in place from 1 November 2017 to 31 October 2020.		
<b>13 INTEREST RECEIVED</b>		
Bank	32 153	253 120
Investments	240,894	-
	<b>273 047</b>	<b>253 120</b>
Interest was derived from amounts invested with FN and Investec Banks.		
<b>14 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Ilembe District Municipality - LED Projects & Programmes	3 582 999	2 824 178
Ilembe District Municipality - Tourism Programmes	2 138 205	856 044
Agri Processing Facilities	-	383 250
Operational Ex IDM	18 384 781	17 417 980
King Shaka Tourism Route	54 800	-
District Growth and Development Summit - COGTA	168 631	-
Ilembe District Municipality - Development of SMME's	500 000	-
<b>Total Government Grant and Subsidies</b>	<b>24 829 416</b>	<b>21 481 452</b>
<b>14.1 Grant Local Economic Development Strategy Ex COGTA</b>		
Balance unspent at beginning of year	-	335 182
Adjustments and Transfers	-	( 335 182)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	-
<b>14.2 Grant Agri Processing Facilities Ex COGTA</b>		
Balance unspent at beginning of year	-	1 679 959
Transferred to revenue - no further conditions to be met	-	( 383 250)
Adjustments and Transfers	-	( 1 296 709)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	-

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	2018 R	2017 R
<b>14.3 Grant Ilembe District Municipality - LED</b>		
Balance unspent at beginning of year	199 999	24 177
Current year receipts	3 383 000	3 000 000
Conditions met - transferred to revenue	( 3 582 999)	( 2 824 178)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	199 999
<b>14.4 Grant Ilembe District Municipality - Tourism</b>		
Balance unspent at beginning of year	501 254	286 895
Current year receipts	1 636 951	1 070 403
Transferred to revenue - no further conditions to be met	( 2 138 205)	( 856 044)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	501 254
<b>14.5 Grant Amacambini Dev Project Ex DCGTA</b>		
Balance unspent at beginning of year	-	757 666
Adjustments and Transfers	-	( 757 666)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	-
<b>14.6 Grant Maphumulo Small Town Regeneration</b>		
Balance unspent at beginning of year	-	85 965
Adjustments and Transfers	-	( 85 965)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	-
<b>14.7 Grant Moringa Tree Plantation</b>		
Balance unspent at beginning of year	-	2 400 001
Adjustments and Transfers	-	( 2 400 001)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	-
<b>14.8 Fresh Produce Market</b>		
Balance unspent at beginning of year	-	278 049
Adjustments and Transfers	-	( 278 049)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	-
<b>14.9 District Growth and Development Summit 2018 - COGTA</b>		
Balance unspent at beginning of year	-	-
Current year receipts	300 000	-
Conditions met - transferred to revenue	( 168 631)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	131 369	-
<b>14.10 Growth Summit</b>		
Balance unspent at beginning of year	-	74 330
Adjustments and Transfers	-	( 74 330)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	-
<b>14.11 Tourism King Shaka Route</b>		
Balance unspent at beginning of year	57 000	57 000
Conditions met - transferred to revenue	( 54 800)	-
Adjustments and Transfers	( 2 200)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	57 000
<b>14.12 Development of SMMEs</b>		
Current year receipts	500 000	-
Conditions met - transferred to revenue	( 500 000)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	-
<b>14.13 Maphumulo IEC Grant</b>		
Current year receipts	700 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	700 000	-

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	2018 R	2017 R
<b>15 OTHER INCOME</b>		
KwaDukuza Municipality - Tourism Exhibition Contribution	56,787	-
Wine sales	47,778	-
Other income	2,200	47,038
	<u>106 764</u>	<u>47 038</u>
<b>16 National Schools Nutrition Programme</b>		
Supply of vegetables	18 031 479	9 055 559
	<u>18 031 479</u>	<u>9 055 559</u>
The entity has a contract with the Department of Education (DOE) for the supply of vegetables to schools within iLembe District. DOE and the Entity signed a 3 year SLA commencing on 1 July 2017		
<b>17 EMPLOYEE RELATED COSTS</b>		
Employee related costs - salaries and wages	11 060 764	10 163 230
Vineyard Wages	1 194 256	1 238 085
Tunnel workers	288 400	383 250
Pension contributions	253 680	-
Medical aid	565 216	-
UIF	48 723	44 034
Leave pay	466 283	54 597
Car and other allowances	479 376	182 622
	<u>14 356 698</u>	<u>12 065 818</u>
The staff members of the entity became members of the Natal Joint Municipal Pension Fund (NJMPF) as well as contributions to medical aid during the 2017/2018 financial year. Included in the employee related costs are the following:		
<b>Remuneration of the Chief Executive Officer</b>		
Acting Allowance - C Rajkoomar ( Aug to Jan 2017)	-	335,501
Acting Allowance - T Ngcobo ( Feb to May 2017)	-	211,754
CEO ( T Mkhwanazi - resigned July 2016)	-	314 188
CEO (N Nkomzwayo - appointed June 2017)	1 442 396	120 955
UIF	1 785	-
Total	<u>1 444 181</u>	<u>982 398</u>
<b>Remuneration of the Chief Financial Officer</b>		
Annual Remuneration	990 389	902 120
Car and Other Allowances	60 000	75 260
Medical Aid	35 017	-
Pension Fund	43 632	-
UIF	1 785	-
Total	<u>1 130 822</u>	<u>977 380</u>
<b>Remuneration of the Head: LED</b>		
Annual Remuneration	730 606	657 546
Car and other allowances	219 182	214 182
Medical Aid	30 954	-
Pension Fund	21 370	-
UIF	1 785	-
Total	<u>1 003 897</u>	<u>871 728</u>
<b>Remuneration of the Manager: Tourism, Market and Communication</b>		
Annual Remuneration	718 859	605 681
Car and other allowances	172 944	224 985
Medical Aid	38 435	-
Pension Fund	24 850	-
UIF	1 785	-
Total	<u>956 872</u>	<u>830 666</u>
<b>18 REMUNERATION OF BOARD MEMBERS</b>		
Remuneration includes a retainer and attendance fees at meetings:		
B N Linda (Contract ended January 2017)	-	61 854
I Deetlefs (Contract ended January 2017)	-	46 505
ZP Zeka (Contract ended January 2017)	-	37 161
KS Shandu - Chairperson (Appointed November 2015)	109 423	85 431
AT Nzama - Deputy Chairperson (Re-Appointed February 2017)	90 437	84 768
D Nene (Appointed November 2017)	90 437	86 687
JC Oelofse (Re-appointed February 2017)	77 420	95 763
ZS Gumede (Appointed February 2017)	74 420	37 258
N Mngadi (Appointed February 2017)	74 460	28 258
B Mngadi (Appointed February 2018)	34 258	-
Total Board Members' Remuneration	<u>550 856</u>	<u>563 685</u>
One board member was only appointed in February 2018, hence the variance between the financial years.		

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018**

	2018 R	2017 R
<b>19 REPAIRS AND MAINTENANCE</b>		
General Repairs	260 469	260 693
Tunnel Repairs	1 858 662	1 516 549
	<b>2 119 131</b>	<b>1 777 242</b>
<b>20 CONTRACTED SERVICES</b>		
Other Contracted Services	1 894 416	1 808 288
Rental of premises	148 785	166 291
Security	465 090	411 353
Cleaning services	74 852	30 329
Fuel and Oil	251 323	223 365
Internal Audit	133 068	473 282
Lease of Vehicles	772 648	455 018
Leases- Office Equipment	48 650	48 650
National Schools Nutrition Programme	14 336 387	8 053 947
NSNP: Vegetables - Market	3 140 391	1 821 888
NSNP: Farmers	4 939 635	2 717 310
NSNP: Hub Workers	271 800	298 800
NSNP: Transportation of Vegetables	5 984 561	3 215 949
	<b>16 230 803</b>	<b>9 862 235</b>
<b>21 GENERAL EXPENSES</b>		
Included in general expenses is the following: -		
Advertising	274 794	198 716
External Audit Fees	661 312	513 541
Subscriptions/Licences	140 372	110 716
Bank Charges	36 137	25 405
Entertainment/Refreshments	81 935	68 052
Consulting and Professional Fees	556 241	420 465
Board Expenses/Travel	11 548	10 826
Purchase of Wine	39 673	-
Tourism events and exhibitions	1 975 153	856 044
Subsistence, Travel & Accommodation	708 867	213 044
Conference and workshop	43 948	19 463
Legal Fees	14 294	-
Telephone and Fax	280 210	183 472
Training	90 959	95 130
Mechanization	358 475	642 172
Development of SMMEs	521 281	-
Interest and Penalties	57 975	-
Postage, Courier & Delivery Services	14 351	-
District Growth Development Summit	146 636	-
Marketing, Communication & investments	475 434	281 997
Printing and stationary	168 210	100 689
Water and Electricity	133 642	117 306
Audit Committee	85 128	-
Winery Operations	5 971	-
ICT Services	256 067	102 623
	<b>7 138 611</b>	<b>3 959 664</b>
<b>22 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>		
<b>22.1 Fruitless and wasteful expenditure</b>		
Reconciliation of fruitless and wastful expenditure		
Opening balances-		
Fruitless and wasteful expenditure current year	58 507	-
Fruitless and wasteful expenditure written off	( 58 507)	-
<b>Fruitless and wasteful expenditure</b>	<b>-</b>	<b>-</b>
<b>22.2 Irregular expenditure</b>		
Reconciliation of irregular expenditure:		
Opening balance	27 665	-
Awards to employees of the state current year	28 160	27 665
Amount written off by Board	( 55 825)	-
<b>Transfer to receivables for recovery - not written off</b>	<b>-</b>	<b>27 665</b>
Awards to the suppliers in service of the state relate to transactions that occurred before the finalization of audit of which payments were made audit was completed, which the entity was liable to pay.		
<b>22.3 Deviations</b>		
Deviations were approved in terms of Section 34 of the Supply Chain Management Policy:		
Total Value	<b>7 283 350</b>	<b>38 183</b>
Total Number of Cases	<b>6</b>	<b>3</b>



ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
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	2018 R	2017 R
<b>23 CASH GENERATED/(UTILISED) BY OPERATIONS</b>		
Surplus for the year	1 708 579	699 885
Adjustment for: -		
Previous years operating transactions	7 493 286	2 299 593
Depreciation, impairment & amortization	1 163 571	1 177 002
Loss/(gain) on disposal of property, plant and equipment	38 545	803 638
Investment income	( 273 047)	( 253 120)
Operating surplus before working capital changes:	10 130 934	4 726 998
Increase in inventories	( 104 753)	( 178 285)
(Increase)/Decrease in receivables	( 692 251)	( 1 178 757)
(Decrease)/increase in unspent conditional grants	73 116	( 4 375 099)
Decrease in Payables	237 167	2 311 866
Increase/(decrease) in VAT payable	-	( 288 699)
Increase in VAT receivable	( 160 314)	347 660
Other Assets/Liabilities	37 416	-
Cash generated/(utilised) by operations	<u>9 521 313</u>	<u>1 365 704</u>
<b>24 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
Current Investments	4 904 313	6 563
Bank balances and cash	206 180	513 785
Total cash and cash equivalents at the end of the year	<u>5 110 493</u>	<u>520 348</u>
<b>25 GAINS AND LOSSES</b>		
<b>25.1 Disposal of Assets</b>		
Loss on disposal	39 961	19 238
Gain on disposal	( 16)	-
(Gain) / Loss	<u>39 945</u>	<u>19 238</u>
<b>25.2 Fair Valuing of Assets</b>		
Loss on fair valuing	-	784 400
Gain on fair valuing	( 1 400)	-
(Gain) / Loss	<u>( 1 400)</u>	<u>784 400</u>
<b>Loss on Disposal</b>	<u>38 545</u>	<u>803 638</u>
<b>26 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>26.1 Audit fees</b>		
Current year audit fee	661 312	513 541
Amount paid - current year	( 661 312)	( 513 541)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<b>26.2 PAYE and UIF</b>		
Opening balance	-	130 783
Current year payroll deductions	3 074 000	2 639 801
Amount paid - current year	( 2 824 975)	( 2 770 584)
Balance unpaid (included in creditors)	<u>249 025</u>	<u>-</u>
<b>26.3 Medical Aid Contributions</b>		
Opening balance	-	-
Current year payroll deductions	971 599	-
Amount paid - current year	( 878 532)	-
Balance unpaid (included in creditors)	<u>93 067</u>	<u>-</u>
<b>26.4 Pension Contributions</b>		
Opening balance	-	-
Current year payroll deductions	376 520	-
Amount paid - current year	( 376 520)	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

The employees of Enterprise iLembe became members of the Natal Joint Municipal Pension Fund (NJMPF) with effect from April 2018.

**27 INCOME TAX**

No provision has been made for income tax in the current financial year, the enterprise is in a tax loss position. Prior to considering current year tax implications; the enterprise had a brought forward assessed loss of R18 163 782. Assessed loss available for offsetting against future taxable income amounts to R17 677 012.

	2018 R	2017 R
<b>28 CONTINGENT LIABILITIES</b>		
During the 2015/16 financial year it was established that the entity may be liable to pay Mancefeza Trading in respect of services rendered. The service provider was appointed as part of the panel of service providers for the transportation of vegetables with regards to the NSNP project. A misrepresentation of facts was picked up whereby the supplier did not declare relations with one of the entity employees. This case was handled by El lawyers and they have informed the entity that they have not heard anything from Mancefeza's lawyers and three years has elapsed and the debt prescribed.	-	22 644
<b>29 CORRECTION OF PRIOR PERIOD ERROR</b>		
Prior period creditors		( 34 118)
Interest charged by SARS		440
Reversal of accruals	-	
Adjustments to opening balances	-	
Deposit refund from Warne House Properties	-	
Prior year transfer of unspent grants to conditions met	8 640	-
This relates to COGTA grants that were not realized as conditions met in prior periods	( 5 227 901)	
Lease of machinery amounts	-	12 162
Inventory Adjustment		
Recognition of wine stock previously not recorded	( 178 265)	
SARS Debtor		
Relates to the Vat amount owing by SARS in the prior financial year previously not recorded.	( 697 473)	
Prior year depreciation and impairment reversals/adjustments	( 1 398 287)	( 2 278 077)
This is as a result of the Maphumulo tunnel repaired during the current financial year, where the impairment previously done had to be reversed, also the re-assessed useful lives, as well as the depreciation recalculation relating to an asset that should have been capitalized in the last financial year.		
Prior year adjustments	( 7 493 286)	( 2 299 593)
<b>30 EVENTS AFTER THE REPORTING DATE</b>		
No events after the reporting date that could affect the presentation of the annual financial statements have been identified.		
<b>31 RELATED PARTIES</b>		
Parent Municipality: Ilembe District Municipality. Ilembe District Municipality is the sole shareholder of the entity.		
<b>Related party balances</b>		
<b>Amounts owing by Ilembe District Municipality :</b>		
Opening Balance	526,779	1 268 537
Movements during the year	119,846	( 741 758)
Closing Balance	646,625	526,779
<b>Grant income received by Enterprise Ilembe:</b>		
Administration Grant	18 384 781	17 417 980
LED Grant	3 383 000	3 000 000
Tourism Grant	1 636 951	1 070 403
District Growth & Development Summit	300 000	-
Development of SMMEs	500 000	-
	24 204 732	21 488 383
<b>32 OPERATING LEASES</b>		
The future minimum lease payments payable under operating leases for the actual liability are as follows:		
No later than 1 year	32 433	48 650
Later than 1 year and no later than 5 years	-	32 433
	32 433	81 083
The entity entered into a lease agreement for machinery (contract for two printing machines) which is for the period 01 March 2016 to 28 February 2019.		
<b>33 TRANSFER OF AGRICULTURAL PROJECTS</b>		
The process of transferring the following agricultural assets presently disclosed as PPE Agriculture and Biological Assets is currently underway. The entity is busy with the implementation of the ownership model. COGTA gave the entity a period of 36 months to complete the process		

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
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	2018 R	2017 R
Blodiesel	5 777 329	5 777 329
North Coast Vineyards	391 400	390 000
Agri Processing Facilities	10 107 236	11 111 170
	<u>16 275 965</u>	<u>17 278 499</u>

**34 GOING CONCERN**

The annual financial statements for the period ended 30 June 2018 have been prepared on a going concern basis. The agency does not foresee anything that will hinder it operating in the future.

**35 RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES**

**35.1 Interest Rate Analysis**

The risk that the entity will not receive the maximum interest benefits from investments.

**Financial Assets:**

**External Investments:**

Current Investments	4,904,313	6,563
Bank balances and cash	206,180	513,785
	<u>5,110,493</u>	<u>520,348</u>

Interest earned external investments	<u>273,047</u>	<u>253,120</u>
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Interest rate	<u>5.3%</u>	<u>5.3%</u>
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**Outstanding Debtors:**

Other debtors	6,245,228	5,567,744
	<u>6,245,228</u>	<u>5,567,744</u>

Interest earned on outstanding debtors		
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Interest rate	<u>0.0%</u>	<u>0.0%</u>
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**35.2 Credit Risk**

The risk that debtors will not pay the entity on time.

**Receivables:**

Other debtors	6,245,228	5,567,744
	<u>6,245,228</u>	<u>5,567,744</u>

**Ageing of consumer debtors:**

Current	1,169,873	4,301,490
31-60 days	3,273,942	42,002
>60 days	1,672,841	1,224,325
<b>Net Consumer Debtors</b>	<u>6,116,657</u>	<u>5,567,817</u>

**35.3 Liquidity Risk**

The risk that the entity will not be able to settle its obligations when they are due.

Equity (Net Assets)	<u>33,106,250</u>	<u>21,278,015</u>
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**36 SUBSEQUENT EVENTS**

There have been no subsequent events from 1 July 2018 to the date of issuing of these financial statements, other than those disclosed herein.

**37 RESTATEMENT OF COMPARATIVE INFORMATION**

**Statement of Financial Performance:**

The items listed below have been reclassified from general expenses to contracted services due to the nature of expenditure as it relates to the payment of contracted services

**Contracted Services**

- Cleaning Services	73,884	
- Internal Audit	133,068	

**General Expenses**

- Cleaning Services		30,329
- Internal Audit		473,282

The items listed below have been reclassified from other income to sale of produce due to the nature of the income

**Sale of Produce**

- Supply of Vegetables (NSNP)	18,031,479	
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**Other Income**

- Supply of Vegetables (NSNP)		9,055,559
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ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
 UNAUDITED SUPPLEMENTARY APPENDIX A : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT  
 UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018

	Opening Balance		Additions		Cost / Revaluation		Transfers		Prior Year Adjustments		Closing Balance		Opening Balance		Accumulated Additions		Depreciation Impairment loss/ Reversal of Impairment loss/Transfer		Closing Balance		Carrying Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
PPE Agriculture	24 733 393	-	-	-	-	-	-	-	-	-	24 733 393	-	6 570 834	968 186	-	-	-	-	7 539 020	17 194 373		
Buildings	974 328	53 247	-	-	-	-	-	-	-	-	1 027 576	-	45 192	20 621	-	-	-	-	65 813	961 763		
Biological Assets	390 000	-	-	1,400	-	-	-	-	-	-	391 400	-	-	-	-	-	-	-	-	391 400		
Furniture and Equipment	631 376	128 352	( 69 613)	-	-	-	-	-	-	-	690 118	-	291 273	72 342	( 66 611)	-	-	-	297 004	393 114		
Computers Equipment	5 831 635	118 304	( 244 596)	-	-	-	-	-	-	-	5 705 342	-	282 630	100 951	( 208 188)	-	-	-	175 393	5 529 949		
Software	28 816	-	( 28 816)	-	-	-	-	-	-	-	-	-	26 789	1 472	( 28 261)	-	-	-	0	( 0)		
	32 589 548	299 903	( 341 625)	-	-	-	-	-	-	-	32 547 829	-	7 216 719	1 163 571	( 303 060)	-	-	-	8 077 230	24 470 598		

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
 UNAUDITED SUPPLEMENTARY APPENDIX B: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE  
 UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018

2017 Actual Revenue R	2017 Actual Expenditure R	2017 (Surplus/ Deficit R	Administration	2018 Actual Revenue R	2018 Actual Expenditure R	2018 (Surplus/ Deficit R
30 909 169	30 209 284	699 885		43 306 793	41 598 214	1 708 579
<b>30 909 169</b>	<b>30 209 284</b>	<b>699 885</b>	(Surplus) for the year	<b>43 306 793</b>	<b>41 598 214</b>	<b>1 708 579</b>



**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
UNAUDITED SUPPLEMENTARY APPENDIX C(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)  
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018**

Description	2017/18 Original Budget	2017/18 Adjusted Budget	Prorata Budget	Actual Outcome	Variance	Variance %	Explanation of significant Variance greater than 10% versus Final Budget
<b><u>Financial Performance</u></b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>		
Interest on investment	219 912	219 912	219 912	273 047	53 135	24%	Dependant on rates offered by financial institutions
Government grants and subsidies	25 139 672	23 904 732	23 904 732	24 829 416	924 684	4%	Immaterial
Other Income	16 894 721	18 340 777	18 340 777	18 204 330	( 136 447)	-1%	Immaterial
<b>Total Revenue (excluding capital transfers &amp; contributions)</b>	<b>42 254 305</b>	<b>42 465 421</b>	<b>42 465 421</b>	<b>43 306 793</b>	<b>841 372</b>	<b>1%</b>	
Employee related costs	15 691 374	13 741 204	13 741 204	14 356 698	615 494	4%	Immaterial
Directors Fees	674 160	600 000	600 000	550 856	( 49 144)	-8%	Board member vacancy only filled in February 2018
Depreciation	1 180 696	1 491 696	1 491 696	1 163 571	( 328 125)	-22%	Write-offs/disposals/re-alignment
Repairs and Maintenance	3 218 250	3 418 250	3 418 250	2 119 131	( 1 299 119)	-38%	New refrigerators for hubs had to be bought hence no repairs done
Contracted Services	14 805 913	16 002 661	16 002 661	16 230 803	228 142	1%	Immaterial
General Expenses	6 543 148	6 906 715	6 906 715	7 177 155	270 440	4%	Immaterial
<b>Total Expenditure</b>	<b>42 113 541</b>	<b>42 160 526</b>	<b>42 160 526</b>	<b>41 698 214</b>	<b>( 790 453)</b>	<b>-1%</b>	
<b>Surplus/(Deficit) before tax</b>	<b>140 764</b>	<b>304 895</b>	<b>304 895</b>	<b>1 708 579</b>	<b>1 631 826</b>		
<b>Surplus/(Deficit)</b>						<b>0%</b>	
<b><u>Capital expenditure &amp; funds sources</u></b>							
Internally generated funds	100 000	283 877	283 877	299 903	16 026	5%	Immaterial
<b>Total sources of capital funds</b>	<b>100 000</b>	<b>283 877</b>	<b>283 877</b>	<b>299 903</b>	<b>16 026</b>	<b>0%</b>	

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**UNAUDITED SUPPLEMENTARY APPENDIX C(2): ACTUAL VERSUS BUDGET BY DEPARTMENT (REVENUE AND EXPENDITURE)**  
**UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018**

	Actual 2018		Budget 2018		Variance 2018		% Variance 2018	
	R		R		R		%	
<b>REVENUE</b>								
Rental Income	66 087		60 000		6 087		0%	
Interest on investment	273 047		219 912		53 135		0%	
Government grants and subsidies	24 829 416		23 904 732		924 684		4%	
Other income	18 138 243		18 280 777		( 142 534)		-1%	
<b>Total Revenue</b>	<b>43 306 793</b>		<b>42 465 421</b>		<b>841 372</b>			
<b>EXPENDITURE</b>								
Organisational development	41 598 214		42 160 526		( 562 312)		-1%	
<b>Total Expenditure</b>	<b>41 598 214</b>		<b>42 160 526</b>		<b>( 562 312)</b>			
<b>Surplus / (Deficit) for the year</b>	<b>1 708 579</b>		<b>304 895</b>		<b>1 403 684</b>			

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
 UNAUDITED SUPPLEMENTARY APPENDIX C(3): ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)  
 UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018

	2018 Actual R	2018 Budget R	2018 Variance R	2018 Variance %	Explanation of Significant Variances
Administration	299 903	283 877	16 026	6%	immaterial
	<u>299 903</u>	<u>283 877</u>	<u>16 026</u>	<u>6%</u>	

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
UNAUDITED SUPPLEMENTARY APPENDIX D : GRANTS AND SUBSIDIES RECEIVED - 2016/2017  
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Unspent Balance 2016/2017	Adjustments and Transfers	Quarterly Receipts			Total Receipts	Quarterly Expenditure			Total Expenditure	Unspent Balance 2017/2018
			Oct 17 to Dec 17	Jan 18 to Mar 18	April 18 to June 18		Oct 17 to Dec 17	Jan 18 to Mar 18	April 18 to June 18		
			2	3	4		2	3	4		
Agri Processing Facilities Ex DCGTA	1 296 709	( 1 296 709)									-
LED Strategy Ex DCGTA	335 182	( 335 182)									-
Amacambini Dev Project Ex DCGTA	757 666	( 757 666)									-
Maphumulo Small Town Rehabilitation	85 965	( 85 965)									-
Moringa Tree Plantation	2 400 001	( 2 400 001)									-
Ilembe District Municipality - LED	199 999	-	2 248 605	934 395		3 183 000	1 214 304	1 098 337	1 070 358	3 382 999	-
Ilembe District Municipality - Tourism	501 254		802 304	333 393		1 135 697	556 384	209 626	870 941	1 636 951	-
Fresh Produce Market	278 049	( 278 049)									-
Tourism King Shaka Route	57 000	( 2 200)							54 800	54 800	-
Development of SMMEs	-		353 221	146 779		500 000		194 631	305 369	500 000	-
District Growth & Development Summit	-	-	-	-	300 000	300 000	-	-	168 631	168 631	131 369
Maphumulo IEC Project	-	-	-	-	700 000	700 000	-	-	-	-	700 000
Growth Summit	74 330	( 74 330)									-
	5 986 154	( 5 230 101)	3 404 130	1 414 567	1 000 000	5 818 697	1 770 688	1 602 594	2 470 099	6 743 381	831 369

Unspent grants at 30 June 2017

5 986 154

Unspent grants at 30 June 2018

831 369

## MONTHLY COLLECTION RATE REPORTING

COLLECTION RATE				SPLIT							
MONTH	BILLING	BILLING YTD	PAYMENTS Revenue Collected	PAYMENTS Prepaid Collections - UTILITY	PAYMENTS Prepaid Collections - LESIRA	PAYMENTS	PAYMENT RATE	PAYMENT RATE	INCREASE / DECREASE %	INCREASE / DECREASE %	
						YTD	YTD	MONTHLY			
	R.	R.	R.				%	%	YTD	MONTHLY	
JULY 2017	-15 577 368	-15 577 368	9 326 930	-2 210 947	-1 526	9 326 930	60	60			
AUGUST 2017	-9 493 136	-25 070 505	8 419 627	-2 331 482	-2 994	17 746 557	71	89	11%	29%	
SEPTEMBER 2017	-9 333 167	-34 403 671	7 169 217	-2 506 516	-1 345	24 915 773	72	77	2%	-12%	
OCTOBER 2017	-13 009 642	-47 413 314	7 663 344	-2 480 456	-3 808	32 579 117	69	59	-4%	-18%	
NOVEMBER 2016	-11 351 784	-58 765 097	10 362 392	-2 444 367	-912	42 941 510	73	91	4%	32%	
DECEMBER 2016	-7 824 952	-66 590 049	8 380 640	-2 758 776	-1 939	51 322 149	77	107	4%	16%	
JANUARY 2017	12 425 981	-54 164 068	-8 806 129	-2 578 214	-1 535	42 516 020	78	71	1%	-36%	



ANNEXURE - COLLECTION RATE

COLLECTION RATE (2017.2018)								
Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100								
MONTH	BILLING	PAYMENTS	OPENING GROSS DEBTORS	CLOSING GROSS DEBTORS	BAD DEBTS WRITE-OFF	BALANCE	PAYMENT RATE	DEBTORS AS PER AGE ANALYSIS
OPENING BALANCE								243 571 033
JULY 2017	15 577 368	9 326 930	243 571 033	247 665 585	363 657	5 596 035	71%	247 665 585
AUGUST 2017	9 493 136	8 419 627	247 665 585	249 680 922	5 549	6 409 838	79%	249 680 922
SEPTEMBER 2017	9 333 167	7 169 217	249 680 922	251 681 868	226 867	5 395 138	76%	251 681 868
OCTOBER 2017	13 009 642	10 143 799	251 681 868	256 211 388	24 359	5 638 638	65%	256 211 388
NOVEMBER 2017	11 351 784	10 362 392	256 211 388	260 085 161	145 121	6 633 740	65%	260 085 161
DECEMBER 2017	7 824 952	8 380 640	260 085 161	264 331 530	121 436	4 255 707	44%	264 331 530
JANUARY 2018	9 137 007	10 746 923	264 331 530	266 622 587	271 867	8 727 732	72%	266 622 587
FEBRUARY 2018	9 556 640	11 252 460	266 622 587	266 347 072	6 601	11 534 576	103%	266 347 072
MARCH 2018	9 854 300	8 225 544	266 347 072	249 118 686	20 041 353	5 412 577	71%	249 118 686
APRIL 2018	9 714 300	7 391 015	249 118 686	252 469 359	429 627	4 469 969	76%	251 053 468
MAY 2018	9 909 336	7 595 664	251 053 468	256 626 089	56 749	3 495 684	79%	253 039 650
JUNE 2018	14 083 779	8 160 153	253 039 650	265 886 279	241 495		7%	265 886 279

**COLLECTION RATE (2017,2018)**

**Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100**

**YEAR TO DATE COLLECTION RATE**

MONTH	BILLING	PAYMENTS	OPENING GROSS DEBTORS	CLOSING GROSS DEBTORS	BAD DEBTS WRITE-OFF	BALANCE	PAYMENT RATE	DEBTORS AS PER AGE ANALYSIS
JULY 2017	15 577 368	9 326 930	243 571 033	247 665 585	363 657	11 119 159	71	247 665 585
AUGUST 2017	25 070 505	17 746 557	247 665 585	249 680 922	369 206	18 591 410	74	249 680 922
SEPTEMBER 2017	34 403 671	24 915 773	249 680 922	251 681 868	596 073	25 696 763	75	251 681 868
OCTOBER 2017	47 413 314	35 059 573	251 681 868	256 211 388	620 432	34 152 526	72	256 211 388
NOVEMBER 2017	58 765 097	45 421 965	256 211 388	260 085 161	765 553	41 485 415	71	260 085 161
DECEMBER 2017	66 590 049	53 802 605	260 085 161	264 331 530	886 989	44 942 563	67	264 331 530
JANUARY 2018	75 727 057	64 549 527	264 331 530	266 622 587	1 158 856	51 516 646	68	266 622 587
FEBRUARY 2018	85 283 696	75 801 987	266 622 587	266 347 072	1 165 457	61 342 200	72	266 347 072
MARCH 2018	95 137 996	84 027 531	266 347 072	249 118 686	21 206 810	68 383 533	72	249 118 686
APRIL 2018	104 852 296	91 418 546	249 118 686	252 469 359	21 636 437	74 317 532	71	252 469 359
MAY 2018	114 761 632	99 014 210	251 053 468	253 039 650	21 693 187	83 599 829	73	253 039 650
JUNE 2018	128 845 411	107 174 363	253 039 650	265 886 279	21 934 681	88 690 036	69	265 886 279

JULY 2018	13 970 834	7 746 499	265 886 279	270 006 734	-1 756	9 852 134	71	270 006 734
AUGUST 2018	25 609 665	15 847 589	270 006 734	274 016 598	-453 121	17 932 466	70	274 016 598
SEPTEMBER 2018	40 529 911	24 713 962	274 016 598	279 552 936	-452 466	27 315 720	67	279 552 936
OCTOBER 2018	56 913 542	32 079 168	274 016 598	279 552 936	-709 915	37 703 305	66	285 806 431



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# CROSSCHECK INFORMATION BUREAU

## REVISED IMPAIRMENT REPORT at 30 JUNE 2018

### ILEMBE DISTRICT MUNICIPALITY

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## 1. INTRODUCTION

### BACKGROUND

iLembe District Municipality requested CrossCheck to assist them in identifying the accounts to be written off as well as to identify the provision for doubtful debt for the financial year ending 30 June 2018.

The following datasets were used for this report:

- Age analysis as at 2018-06-30
- Master file as at 2018-06-30
- CrossCheck Bureau data as at 23 July 2018

This report is created in terms of GRAP 104.

THE DATA UTILISED CAN BE SUMMARISED AS FOLLOWS:

Description	Balance
Age Analysis as at 2018-06-30	265,886,279

### EXCLUSIONS

The following list of account types/debtor types have been excluded

### VALUE OF EXCLUSION ACCOUNTS

### EXCLUSIONS

Account Type Code
PROVPW
ILEMBE
NATPWS
KWADUK
EDUCAT
HEALTH
MANDIN
SOCIAL
NDWEDW
MAPHUM
PROV P/WORKS
ILEMBE DM
NAT P/WORKS
KWADUKUZA LM
EDUCATION
MAPHUMULO LM
Mandini LM
Ndwedwe LM
Social Welfare
Transport
SCHOOL
TRANSP
INDIPEND SCHOOL

SCHOOL SEC 21

VALUE OF EXCLUSION ACCOUNTS

Balance	Accounts
12,882,478	1080

## 2. WRITE-OFF RECOMMENDATION

### METHODOLOGY

Write offs was based only on inactive accounts as identified via the Master File of 30 June 2018.

Exclusions:

Before any account is considered for write-off, the following factors are considered:

- Any account with any payment in the financial year leading up to 30 June 2018.
- Where an account holder has a secondary account that has had payments in the financial year, all accounts for that account holder are excluded.
- Any account where we have not been able to identify the ID number or the Reg numbers of the account holder.
- Any account in current, 30 or 60 days.
- Where the masterfile indicates the account belongs to an organ of state.
- Where the account holder is a state employee.
- Where the account holder owns property to the value of at least R1m.
- The account holder is a company excluding companies that has been liquidated and or dissolved.
- Accounts with a credit balance.

Accounts that were not excluded and is recommended to be written off, was divided into 4 buckets:

### WRITE OFF BUCKETS

An amount of R Nil is recommended for write off.

### 3. PROVISION FOR BAD DEBTS

#### METHODOLOGY

Each record that was not explicitly included in the write-off recommendation file was independently scored by CrossCheck.

The following criteria were taken into consideration to select accounts for possible provision:

- Balance to arrears ratio
- Payments on the account
- Account with no ID number or Company Reg number
- Water restriction meters flagged
- No Property ownership
- Indigence
- Deceased individuals
- Dissolved and/or liquidated companies
- Account status active or inactive
- Account debt growing in current period
- Organs of state explicitly excluded

Once selected for possible provision, each account is allocated a risk score from 0 (Low Risk) to 10 (Very High Risk).

The Risk Score is calculated by considering the following criteria:

- Is the account in Arrears with no current balances
- Were there any payments
- Is the company number or IDNumber valid according to the South African Company Register / Home Affairs
- Does the account have any form of meter restriction
- Does the account holder own any properties
- Is the account holder an Indigent as recognised by Indigent policies
- Is the company or individual Deceased / Liquidated / Dissolved
- Is the account Inactive
- Does the account have any current billing

The High Risk Provision for Bad Debt is:

## PROVISION FOR BAD DEBT

Bucket	Balance	Records
High Risk	48,837,653	3078
Incomplete Debtor Info	22,385,546	2862
Indigent	4,435,084	1882
Possibly Indigent	51,890,345	9881
Handed Over	58,298,463	2533
Occupier	247,047	273
Owner	388,771	103

## HIGH RISKS

Risk Score	Balance	Records
7	37,296,209	2049
8	10,005,323	757
9	1,536,117	271
10	4	1
TOTAL	48,837,653	3078

The Incomplete Debtor Information section shows the risk profile for accounts where the debtor information is incomplete.

Any accounts with incomplete information that is categorised as a high risk is included in the previous section.

The following possible indigents have been identified and allocated a risk score from 1 to 6.

## LOW RISK TABLE

Risk Score	Balance	Records
0	-39,915	13
2	678,038	287
3	2,058,775	467
4	1,731,812	451
5	14,496,500	2245
6	7,895,420	1281
TOTAL	26,820,630	4744

## POSSIBLE INDIGENT RISKS

Risk Score	Balance	Records
3	6,696,879	1329
4	33,502,309	6763
5	11,691,157	1789
TOTAL	51,890,345	9881



**HANDED OVER**

Risk Score	Balance	Records
5	5,362,020	245
6	37,152,296	1363
7	2,764,941	275
8	12,934,286	607
9	84,919	43
TOTAL	58,298,463	2533

**OCCUPIER**

Risk Score	Balance	Records
5	22,636	13
6	87,434	74
7	29,544	81
8	105,076	58
9	2,357	47
TOTAL	247,047	273

**OWNER**

Risk Score	Balance	Records
5	20,497	16
6	26,291	19
7	303,881	25
8	33,873	35
9	4,230	8
TOTAL	388,771	103

#### **4. CONCLUDING RECOMMENDATION**

Although the Incomplete Debtor Information is recommended to be included in the Provisions, initial investigations undertaken by CrossCheck and iLembe into a sample of these matters have had a favourable outcome in terms of identifying the account holder.

Once the account holder has been identified, the probability of collections might change depending on the other risk factors.

Final recommendation is to write off R Nil and to make a provision for bad debt to the amount of R186,482,909.

Total impact on the financials would be R 186,482,909

## 5. DOWNLOADS

Click on the links below to download the underlying data used in this report to your Crosscheck SFTP folder. NOTE:

You must be in the web page view (HTML) and not PDF view for downloads to be available.

Downloads are only available if you have supplied an Age Analysis.

### WRITE OFFS WITH AGE ANALYSIS DETAIL

Age Analysis Lines	Unique Records
Number of Records 0	Number of Unique Accounts 0

### NON WRITE OFFS WITH AGE ANALYSIS DETAIL

Age Analysis Lines	Unique Records
Number of Records 142804	Number of Unique Accounts 49652

### PROVISIONS WITH AGE ANALYSIS DETAIL

Age Analysis Lines	Unique Records
Number of Records 38117	Number of Unique Accounts 10731

### POSSIBLE INDIGENTS PROVISION WITH AGE ANALYSIS DETAIL

Age Analysis Lines	Unique Records
Number of Records 34737	Number of Unique Accounts 9881

### ASSUMPTIONS AND BALANCING FIGURES

It is critically important that the following figures are validated by iLembe as these figures have a material effect on the report. Acceptance of these figures is a requirement for the acceptance of this report.

### ACTIVE VS INACTIVE ACCOUNTS

Records	Active Flag	Balance
40772	Inactive	129,962,744
63337	Active	135,923,535

### ACCOUNTS WITH PAYMENT VS NO PAYMENTS

Accounts	Payments Made	Balance
91366	No	243,458,552
12743	Yes	22,427,727

### VALID VS INVALID CONSUMER IDENTIFIERS

Accounts	Valid Consumer Identifier	Balance
18425	No	72,164,296
85684	Yes	193,721,983

**PROPERTY OWNERS**

Accounts	Owns Property	Balance
73884	No	217,173,811
30225	Yes	48,712,468

**STATE EMPLOYEE**

Accounts	State Employee	Balance
92858	No	237,320,613
11251	Yes	28,565,665

**INDIGENTS**

Accounts	Indigent	Balance
100260	No	261,611,694
3849	Yes	4,274,585

Write-Off and Provision of Bad Debt Recommendation Report generated by CrossCheck (PTY) Ltd  
Page 10 of 13

**LSDA STATUS**

Accounts	L S D A Flag	Balance
91440	No	228,597,002
12669	Yes	37,289,276

**BALANCES BY AGEING PERIOD**

Accounts	Aging Period	Balance
68446	Current	-2,090,053
2996	D30	14,354,962
1332	D60	7,632,885
601	D90	3,077,131
830	D120	8,111,707
29904	D150	234,799,645

This section represents accounts according to their oldest Ageing amount.

For example: Accounts in Current have no amounts other than Current

**OTHER LINKED ACCOUNTS**

Accounts	Other Accounts Linked	Balance
49683	No	115,260,823
54426	Yes	150,625,455

Indicates the account holders who have other accounts with iLembe

**OTHER LINKED ACCOUNT PAYMENTS**

Accounts	Other Account Payments	Balance
86545	No	241,305,643
17564	Yes	24,580,636

Write-Off and Provision of Bad Debt Recommendation Report generated by CrossCheck (PTY) Ltd

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Indicates all accounts where the account holder has made payments to other accounts in his/her name.

#### ACTIVE ACCOUNTS WRITTEN OFF

The following table should be empty. If any records appear in this table the report is incorrect

Accounts	Balance
0	

#### ACCOUNTS WITH PAYMENTS (12 MONTHS) WRITTEN OFF

The following table should be empty. If any records appear in this table the report is incorrect

Accounts	Balance
0	

#### ACCOUNT HOLDERS WITH LINKED ACCOUNT PAYMENTS, WRITTEN OFF

The following table should be empty. If any records appear in this table the report is incorrect

Accounts	Balance
0	

#### ACCOUNTS WITH INVALID ACCOUNT HOLDER DETAILS, WRITTEN OFF

The following table should be empty. If any records appear in this table the report is incorrect

Accounts	Balance
0	

#### ACCOUNTS IN CURRENT, 30 OR 60 DAYS, WRITTEN OFF

The following table should be empty. If any records appear in this table the report is incorrect

Accounts	Balance
0	



## DISCLAIMER

While every effort has been made to ensure the completeness and accuracy of this Write-Off report, CrossCheck requires that the final write-off recommendation is accepted and validated by iLembe. All data in this report is derived with the Assumptions as listed above. Fully signed and accepted Business Intelligence Reports are also a prerequisite for this report as those figures are used as a basis for Write-Offs.

### Year end 30 June 2018 Write-Off and Provision of Bad Debt Recommendations

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That you have read and understood the contents, and appreciate the legal consequences thereof.

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Information, advice, opinions, and/or statements expressed in the report should be indicative standards only and we shall not be responsible or liable for any inaccuracies or miscalculations arising out of defects or incorrect use. You acknowledge and agree to verify the information contained in this report against the Municipality's information and datasets, and report any inconsistencies to us.

To the extent permissible by the prevailing legislation, we disclaim all express and implied warranties, including, without limitation, warranties of title, and fitness for a particular purpose, non-infringement, compatibility, security and accuracy.

We and our officers, directors, associates, affiliates, shareholders, agents, consultants or employees (in whose favour this constitutes a stipulation for the benefit of these third parties) shall not be liable for and you hereby indemnify us and our officers, directors, associates, affiliates, shareholders, agents, consultants or employees against any direct, indirect, special, incidental, consequential or punitive damages or loss of any kind whatsoever or howsoever caused, whether arising under contract, delict or otherwise, and whether the loss was actually foreseen or reasonably foreseeable, including but not limited to any claims by third parties against the User or the Municipality, arising out of the use of this report.

[illegible]



**The Municipal  
Manager**

**Ilembe House  
59/61 Mahatma  
Ghandi Street  
KwaDukuza  
4450**

**The Municipal  
Manager**

**P.O. Box 1788  
KwaDukuza  
4450**

<b>SUBJECT</b>	<b>OVERSIGHT REPORT FOR 2017/2018 ILEMBE DISTRICT ANNUAL REPORT</b>
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**REPORT TO** : COUNCIL  
**DIRECTORATE** : OFFICE OF THE MUNICIPAL MANAGER  
**AUTHOR** : MR. G. KUMALO  
**MUNICIPAL MANAGER**  
**DATE** : 23 MARCH 2019

## **1. PURPOSE**

The purpose of this report is to present iLembe District Municipality Oversight Report for 2017/2018 financial year.

## **2. INTRODUCTION AND BACKGROUND**

iLembe District Municipality Council met on the 31<sup>st</sup> of January 2019 to receive the 2017/2018 Annual Report and the following was resolved :

- Make the Annual Reports public in terms of Section 21(A) (a-c) of the Municipal Systems Act No 32 of 2003;
- Invite the public to submit representations on the 2017/18 Annual Report for iLembe District Municipality and that of its entity (Enterprise iLembe).
- Nominate Mrs Philly Zulu, who is the IGR Officer in the Department of Community Services as a designated official to assist members of the community with necessary translations should language be a barrier in making representations;
- Submit the reports to the office of the Auditor General in terms of Section 127 (5) (b);
- Submit the reports to both IDM Internal Audit unit and the independent Audit Committee;
- Submit the reports to KZN Provincial Treasury in terms of Section 127 (5) (b);
- Submit the report to KZN Department of Co-operative Governance and Traditional Affairs in terms of Section 127 (5) (b);
- Hand the Annual Report to the Municipal Public Account Committee (MPAC) to deal with or receive submissions from interested stakeholders and compile the oversight report within two months following the consideration of the Annual Report by Council i.e. 31 March 2019.



### **3. SUBMISSION RECEIVED**

iLembe District Municipality Municipal Public Accounts Committee (MPAC) met on the 22<sup>nd</sup> of March 2019 to discuss the submissions and inputs that were received from a number of stakeholders. The feedback was then received from the following stakeholders:

- Member Of The Public;
- Democratic Alliance;
- Internal Audit;
- The Department Of Co-operative Governance And Traditional Affairs; and
- The Office Of The Auditor General

A detailed report that covers all the comments that were received, including the MPAC recommendations is attached herewith this item as an Annexure.

### **4. INSTITUTION CONSULTED**

None

### **5. IMPLICATION (S)**

#### **(a) Legal implications**

- Section 121 of the Municipal Finance Management Act

#### **(b) Financial Implications**

- Printing Of The 2017/2018 Annual Report.

#### **(c) Ethical Implications**

- None

### **6. RECOMMENDATIONS.**

- It is recommended that Council having fully considered the Annual Report for iLembe District Municipality for 2017/2018 Financial Year, adopts the Oversight Report for 2017/2018 Financial Year, noting that all comments on the Annual Report have been adequately addressed and dealt with by management as set out in the Oversight Report.

**And**

- That the Oversight Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act 56 of 2003.

**And**

- That the Oversight Report be submitted to the Provincial Legislature in accordance with Section 132 (2) of the Municipal Finance Management Act 56 of 2003.

**And**

- That the Oversight Report together with the signed resolution of the adoption be submitted to the Auditor General and the Department Of Co-operative Governance And Traditional Affairs.

**PREPARED BY:**



**MR G KUMALO**  
**MUNICIPAL MANAGER**



## ILEMBE DISTRICT MUNICIPALITY ILEMBE –UMASIPALA WESIFUNDA

**EXTRACT FROM THE MINUTES OF THE SPECIAL MEETING OF COUNCIL OF ILEMBE DISTRICT MUNICIPALITY HELD IN THE BOARDROOM, EXECUTIVE COMMITTEE SUITE, ILEMBE HOUSE, MAHATMA GHANDI STREET, KWADUKUZA ON THURSDAY, 31 JANUARY 2019, COMMENCING AT 10H40**

**Present:** Councilors: LR Makhathini (Speaker) (Chairperson), SS Gumede (Mayor), MD Shandu (Deputy Mayor), A Gopaul, AM Baardman, MW Hubner, CT Kumalo, MA Maphumulo, MV Mhlongo, ZM Mhlongo, MD Mpofu, NC Nene, HN Ngcobo, MS Ntuli, SF Ntuli, S Oudhram, MS Singh, R Singh, DM Sthole, JG Van Whye, S Zondi and GN Zungu

**Absent:** Cllrs: TS Jali, MV Shezi, (LOA), AM Gwala (Apology), IP Dube, TS Ngidi, ME Ngidi, SZ Nyatikazi and IN Vilakazi  
Amakhosi: Inkosi VT Ngcobo, Inkosi SA Hlongwa, Inkosi NA Bhengu, Inkosi S Kumalo, Inkosi DZ Gumede and Inkosi MW Qwabe

**Officials:** Mr NG Kumalo (Acting: Municipal Manager), Mr M Chandulal, Ms KF Sithole (Senior Manager: Community Services), Ms C Mbola (Acting Senior: Technical Services), Mr A Horton (Acting Senior Manager: Corporate Services), Mr N Nkomzwayo (Enterprise iLembe: CEO), Mr T Shezi (Manager: Expenditure), Ms Z Mvubu (Manager: Internal Audit), Mr S Chonguene (Manager: Budget and Compliance), Ms BN Nhlebela (PMS Officer), Ms K Makhaya (Media Liaison Officer), Mrs NP Tshembeni (Principal Admin. Officer), Ms BN Nhlebela (PMS Officer) and MK Nxumalo (Committee Officer)

**Traditional Leaders:** Nil

**Also in Attendance:** Ms H Phewa, Mr J Soobramoney (both AG), Mr S Hlophe (Audit Committee Deputy Chairperson) and Ms Z Sosi

**C511**

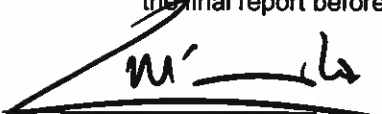
**DRAFT 2017/2018 ANNUAL REPORT FOR ILEMBE DISTRICT MUNICIPALITY:** Report dated 24 January 2019 by Senior Manager: Community Services

Through the Chairperson the Senior Manager: Community Services took members through the report which its purpose was to present before Council the 2<sup>nd</sup> draft of 2017/2018 Annual Report for iLembe District Municipality.

After the presentation of the report it was unanimously,

**RESOLVED**

1. That Council notes the progress of the Annual Report in terms of action plan developed.
2. That the 2<sup>nd</sup> draft 2017/2018 of Annual Report for further inputs which will be incorporated in the final report before availing it to the public for comments.

  
**MR NG KUMALO**  
**MUNICIPAL MANAGER**

Ilembe House, 59/61 Mahatma Gandhi Street, KwaDukuza 4450, South Africa

Tel: +27 32 437 9300 Fax: +27 32 437 9587

P.O Box 1788, KwaDukuza 4450

All correspondence to be addressed to the Municipal Manager



## **ILEMBE DISTRICT MUNICIPALITY ILEMBE - UMASIPALA WESIFUNDA**

### **ANNUAL REPORT 2017/2018**

Notice is given in terms of section 127 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) that the 2017/2018 Annual Report of the ILembe District Municipality, including the 2017/2018 Annual Report of ILembe Management Development Enterprise (Pty) Ltd is available for public inspection.

A copy of the Annual Report may be viewed at the Reception area, 1st Floor, ILembe House, 59/61 Mahatma Gandhi Street, KwaDukuza, between the hours 08h00 to 15h00, Monday to Friday.

Alternatively, a copy of the Report may be viewed on the Municipality's website: [www.ilembe.gov.za](http://www.ilembe.gov.za).

Members of the local community are invited to submit written representations in connection with the Annual Report to the Acting Municipal Manager, ILembe District Municipality, ILembe House, 59/61 Mahatma Gandhi Street, KwaDukuza or P O Box 1788, KwaDukuza, 4450.

Such submissions should be delivered or posted to reach the Municipal Manager by no later than 21 February 2019.

Any person who cannot write may come to the Reception area, 1st Floor, ILembe House, 59/61 Mahatma Gandhi Street, KwaDukuza, between the hours 08h00 to 15h00, Monday to Friday where Philly Gcabashe will assist that person to transcribe his or her representations.

**MR N.G KUMALO**  
**MUNICIPAL MANAGER**

### **UMBIKO WONKYA KA 2017/2018**

Isaziso sikhishwe ngokulawulwa kwesigatshana somthetho - isigaba 127 sika Hulumeni waseKhaya, kanye nowokulawula ngokuphathwa kwezimali sothetho ka, 2003 (Isigatshana 56 ka 2003) othi umbiko wonyaka ka 2017/2018 okungumbiko wonyaka weLembe uMasipala weSifunda, okuhlanganisa umbiko wonyaka ka 2017/2018 we ILembe Development Enterprise (Pty) Ltd usukhona ukuze ubukwe futhi uhlolewe.

uMbiko wonyaka ka 2017/2018 ungabonwa endaweni yokwamukela izivakashi, Ground floor ekungeneni, ILembe House, 59/61 Mahatma Gandhi Street, KwaDukuza, phakathi kwehora lesishiyagalombili 08h00 kuya kwelesithathu ntambama 15h00, ngoMsombuluko kuya koLwesihlanu.

Ungaphinde uwuthole lombiko kwi website kaMasipala: [www.ilembe.gov.za](http://www.ilembe.gov.za).

Amalunga omphakathi weLembe uyanxuswa ukuba alethe imibono maqondana nalombiko wonyaka ka 2017/2018. Umphakathi uyacelwa ukuba ulethe kuMphathi imibono ku Mphathi kaMasipala, ILembe- UMasipala weSifunda, ILembe House, 59/61 Mahatma Gandhi Street, KwaDukuza or P.O. Box 1788, KwaDukuza 4450.

Isethulo kumele zilethwe noma ziposwe zifike kuMphathi kaMasipala weLembe ngaphambi kuka 21 kuNhlolanja (February) 2019.

Noma ubani ongeke okwazi ukubhala angeza endaweni yokwamukela abantu, kwi Ground Floor, ILembe House, 59/61 Mahatma Gandhi Street, KwaDukuza, kusukela ku 08h00 ekuseni kuya ku 15h00 ntambama, ngoMsombuluko kuya koLwesihlanu lapho uzothola usizo ku Philly Gcabashe ukuba ambhalele isethulo sakhe.

**MR N.G KUMALO**  
**UMPHATHI KAMASPALA**



## **ILEMBE DISTRICT MUNICIPALITY ILEMBE - UMASIPALA WESIFUNDA**

### **ANNUAL REPORT 2017/2018**

Notice is given in terms of section 127 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) that the 2017/2018 Annual Report of the ILembe District Municipality, including the 2017/2018 Annual Report of ILembe Management Development Enterprise (Pty) Ltd is available for public inspection.

A copy of the Annual Report may be viewed at the Reception area, 1st Floor, ILembe House, 59/61 Mahatma Gandhi Street, KwaDukuza, between the hours 08h00 to 15h00, Monday to Friday.

Alternatively, a copy of the Report may be viewed on the Municipality's website: [www.ilembe.gov.za](http://www.ilembe.gov.za).

Members of the local community are invited to submit written representations in connection with the Annual Report to the Acting Municipal Manager, ILembe District Municipality, ILembe House, 59/61 Mahatma Gandhi Street, KwaDukuza or P O Box 1788, KwaDukuza, 4450.

Such submissions should be delivered or posted to reach the Municipal Manager by no later than 21 February 2019.

Any person who cannot write may come to the Reception area, 1st Floor, ILembe House, 59/61 Mahatma Gandhi Street, KwaDukuza, between the hours 08h00 to 15h00, Monday to Friday where Philly Gcabashe will assist that person to transcribe his or her representations.

**MR N.G KUMALO  
MUNICIPAL MANAGER**

### **UMBICO WONYAKA KA 2017/2018**

Isaziso sikhishwe ngokulawulwa kwesigatshana somthetho - Isigaba 127 sika Hulumeni waseKhaya, kanye nowokulawula ngokuphathwa kwezimali sothetho ka, 2003 ( Isigatshana 56 ka 2003) othi umbiko wonyaka ka 2017/2018 okungumbiko wonyaka weLembe uMasipala weSifunda, okuhlanganisa umbiko wonyaka ka 2017/2018 we ILembe Development Enterprise (Pty) Ltd usukhona ukuze ubukwe futhi uhlotwe.

uMbiko wonyaka ka 2017/2018 ungabonwa endaweni yokwamukela izivakashi, Ground floor ekungeneni, ILembe House, 59/61 Mahatma Gandhi Street, KwaDukuza, phakathi kwehora leishiyagalombili 08h00 kuya kwelesithathu ntambama 15h00, ngoMsombuluko kuya koLweSihlanu.

Ungaphinde uwuthole lombiko kwi website kaMasipala: [www.ilembe.gov.za](http://www.ilembe.gov.za).

Amalunga omphakathi weLembe uyanxuswa ukuba alethe imibono maqondana nalombiko wonyaka ka 2017/2018. Umphakathi uyacelwa ukuba ulethe kuMphathi imibono ku Mphathi kaMasipala, ILembe- UMasipala wesifunda, ILembe House, 59/61 Mahatma Gandhi Street, KwaDukuza or P.O. Box 1788, KwaDukuza 4450.

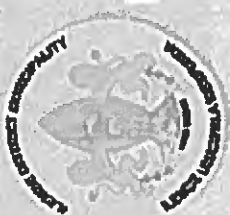
Izethulo kumele zithwe noma ziposwe zifike kuMphathi kaMasipala weLembe ngaphambi kuka 21 kuNhlolanja (February) 2019.

Noma ubani ongeke okwazi ukubhala angeza endaweni yokwamukela abantu, kwi Ground Floor, ILembe House, 59/61 Mahatma Gandhi Street, KwaDukuza, kusukela ku 08h00 ekuseni kuya ku 15h00 ntambama, ngoMsombuluko kuya ko Lwesihlanu lapho uzothola usizo ku Philly Gcabashe ukuba ambhalele isethulo sakhe.

**MR N.G KUMALO  
UMPHATHI KAMASPALA**



## ILEMBE DISTRICT MUNICIPALITY ILEMBE - UMASIPALA WESIFUNDA



### ANNUAL REPORT 2017/2018

Notice is given in terms of section 127 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) that the 2017/2018 Annual Report of the Ilembe District Municipality, including the 2017/2018 Annual Report of Ilembe Management Development Enterprise (Pty) Ltd is available for public inspection.

A copy of the Annual Report may be viewed at the Reception area, 1st Floor, Ilembe House, 59/61 Mahatma Gandhi Street, KwaDukuza, between the hours 08h00 to 15h00, Monday to Friday.

Alternatively, a copy of the Report may be viewed on the Municipality's website: [www.ilembe.gov.za](http://www.ilembe.gov.za).

Members of the local community are invited to submit written representations in connection with the Annual Report to the Acting Municipal Manager, Ilembe District Municipality, Ilembe House, 59/61 Mahatma Gandhi Street, KwaDukuza or P O Box 1788, KwaDukuza, 4450.

Such submissions should be delivered or posted to reach the Municipal Manager by no later than 21 February 2019.

Any person who cannot write may come to the Reception area, 1st Floor, Ilembe House, 59/61 Mahatma Gandhi Street, KwaDukuza, between the hours 08h00 to 15h00, Monday to Friday where Philly Gcabashe will assist that person to transcribe his or her representations.

**NG KUMALO**  
**MUNICIPAL MANAGER**  
31 January 2019

## ILEMBE DISTRICT MUNICIPALITY ILEMBE - UMASIPALA WESIFUNDA



### UMBIKO WONNYAKA KA 2017/2018

Isaziso sikhishwe ngokulawulwa kwesigatshana somthetho - isigaba 127 sika Hulumeni waseKhaya, kanye nowokulawula ngokuphathwa kwezimali sothetho ka, 2003 (Isigatshana 56 ka 2003) othi umbiko wonyaka ka 2017/2018 okungumbiko wonyaka weLembe uMasipala weSifunda, okuhlanganisa umbiko wonyaka ka 2017/2018 we Ilembe Development Enterprise (Pty) Ltd usukhona ukuze ubukwe futhi uhlothe.

uMbiko wonyaka ka 2017/2018 ungabonwa endaweni yokwamukela izivakashi, Ground floor ekungeneni, Ilembe House, 59/61 Mahatma Gandhi Street, KwaDukuza, phakathi kwehora lesishiyagalombili 08h00 kuya kwelesithathu ntambama 15h00, ngoMsombuluko kuya kolweSihlanu.

Ungaphinde uwuthole lombiko kwi website kaMasipala: [www.ilembe.gov.za](http://www.ilembe.gov.za).

Amalunga omphakathi weLembe uyanxuswa ukuba alethe imibono maqondana nalombiko wonyaka ka 2017/2018. Umphakathi uyacelwa ukuba ulethe kuMphathi imibono ku Mphathi kaMasipala, Ilembe-Umasipala wesifunda, Ilembe House, 59/61 Mahatma Gandhi Street, KwaDukuza or P.O. Box 1788, KwaDukuza 4450.

Izethulo kumele zilethwe noma ziposwe zifike kuMphathi kaMasipala weLembe ngaphambi kuka **21 kuNhlolanja (February) 2019**.

Noma ubani ongeke okwazi ukubhala angeza endaweni yokwamukela abantu, kwi Ground Floor, Ilembe House, 59/61 Mahatma Gandhi Street, KwaDukuza, kusukela ku 08h00 ekuseni kuya ku 15h00 ntambama, ngoMsombuluko kuya ko Lwesihlanu lapho uzothola usizo ku Philly Gcabashe ukuba ambalela isethulo sakhe.

**NG KUMALO**  
**UMPHATHI KAMASIPALA**  
07 kuNhlolanja 2018

# **OVERSIGHT REPORT**



## **2017/2018 FINANCIAL YEAR**

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**ILEMBE DISTRICT MUNICIPALITY**  
**OVERSIGHT REPORT**

**Officials:-**

<b>NG Kumalo</b>	<b>Municipal Manager</b>
<b>M Chandulal</b>	<b>Chief Financial Officer</b>
<b>S Ngubane</b>	<b>Acting Senior Manager: Community Services</b>
<b>T. Makhoba</b>	<b>Senior Manager: Corporate Services</b>
<b>B. Shezi</b>	<b>Senior Manager: Technical Services</b>

**Municipal Public Accounts Committees (MPAC) Members: Current**

**Cllr JG Van Whye**

**Cllr AM Gwala**

**Cllr MD Mpofu**

**Cllr HM Ngcobo**

**Cllr SZ Nyathikazi**

**Cllr MW Hubner**

## **1. INTRODUCTION**

The Municipal Finance Management Act (MFMA) assigns specific oversight responsibilities to Council with regards to the Annual Report and the preparation of an Oversight Report.

Given the processes required by council to effectively undertake its oversight role, the establishment of Oversight Committee of council would then provide the appropriate mechanism in which Council could fulfil its oversight responsibilities.

The Oversight Committee's primary role will be to consider the Annual Report, receive input from the various role players and to prepare a draft Oversight Report for consideration by Council.

## **2. BACKGROUND**

The oversight role of Council is an important component of the financial reforms and it is achieved through the separation of roles and responsibilities between Council, the Executive (Mayor and Executive Committee) and Administration. Good governance, effective accountability and oversight can only be achieved if there is a clear distinction between functions performed by the different role players.

Non-executive Councillors are required to maintain oversight on the performance of specific responsibilities and delegated powers that they have given to the Executive (Mayor/Executive Committee). In other words, in exchange for the powers in which Council have delegated to the Executive, Council retains a monitoring and oversight role ensuring that there is accountability for the performance or non-performance of the municipality.

The Municipal Finance Management Act, No. 56 of 2003 (MFMA) vests in Council specific powers of approval and oversight:

1. Approval of budgets;
2. Approval of Budget related Policies; and
3. Review of the Annual Report and adoption of the Oversight Report.



### 3. DISTRIBUTION OF THE ANNUAL REPORT

The 2017/2018 Annual report compilation process was done as follows:-

STRUCTURE	DATE
Report to Auditor General	22 January 2019
Notice in Local newspapers Stanger Weekly, North Coast Courier and Xpress	06 February 2019
Report submitted to external Audit Committee Chairperson	28 February 2019
Report displayed at the reception area	31 January 2019
Uploading of the report on the website	01 February 2019
Submission to KZN Treasury	05 February 2019
Submission of the report to internal committees	EXCO : 29 January 2019 Council : 31 January 2019

The functions of the MPAC/Oversight Committee are to:-

- Undertake a review and analysis of the Annual Report going forward;
- Invite, receive and consider inputs from Councillors and Portfolio Committee on the Annual report;
- Conduct Public hearing(s) to allow the local community or any organs of the state to make representations on the Annual Report;
- Receive and consider Council's Audit Committee views and comments on the Annual Financial Statements and Performance Report; and
- Prepare Oversight Report taking into consideration, the views and inputs of the public representative(s) of the Auditor General, Organs of State, Councils, Audit Committee and Councillors.

The Oversight report is the final major step in the annual reporting process of the municipality. Section 129 of the MFMA requires Council to consider the annual report of its municipality and municipal entities and to adopt an oversight report containing the Council's comments on the Annual Report, which must include a statement whether the Council:-

- (a) Has approved the Annual Report with or without reservations;

- (b) Has rejected the Annual Report; or
- (c) Has referred the annual report back for revision of those components that can be revised.

#### 4. SUBMISSIONS BY THE INTERNAL AUDIT UNIT

##### 4.1 NON-COMPLIANCE WITH THE MUNICIPAL FINANCE MANAGEMENT ACT

<b>MFMA REQUIREMENT</b>	<p><i>Section 121 (1) of the Municipal Finance Management Act (MFMA) states that every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter.</i></p> <p>Section 121 (3) of the Municipal Finance Management Act outlines various information that is required to form part of the municipal annual report.</p>
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<b>MFMA REQUIREMENT</b>	<b>INTERNAL AUDIT COMMENTS</b>	<b>COMMENT FROM THE USER DEPARTMENT</b>
The annual report of a municipality must include: <i>an assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges. Section 121 (3) (e).</i>	The assessment required for inclusion in the annual report as per the MFMA section 121 (3) (e) could not be found. The assessment referred to in the index of the draft annual report (refer to page 224) "Consumer Debtor Arrears" relates to the outstanding accounts for councilors.	This aspect can be updated to include all debtors instead of Councillors in arrears.
The annual report of a municipality must include: An assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection. <b>(Section 121 (3) (f))</b>	The assessment referred to in section 121 (3) (f) of the MFMA could not be confirmed in the annual report. .	The information is part of the annual financial statements.

<p><b>Recommendations / Corrective Actions</b></p> <ul style="list-style-type: none"> <li>■ Management should review the draft annual report in line with the relevant legislation and or guidelines and ensure that necessary corrective measures are taken.</li> <li>■ The draft annual report should be reviewed to ensure that the requirements of the acts and relevant circulars are taken into consideration prior to the annual report being submitted to the relevant stakeholders.</li> </ul>	<p>Management notes the recommendations. The annual report has been reviewed by the Acting Senior Manager: Community Services, to ensure that the requirements of the acts and relevant circulars are taken into consideration.</p>
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#### 4.2 ADDITIONAL INFORMATION PER DORA REQUIREMENTS NOT INCLUDED IN THE ANNUAL REPORT

MFMA REQUIREMENT	INTERNAL AUDIT COMMENTS	COMMENTS FROM THE USER DEPARTMENT
<p><i>Section 121 (3) (k) of the Municipal Finance Management Act (MFMA) states that the annual report of a municipality must include any other information as may be prescribed.</i></p> <p><i>Circular 11 of the MFMA states the matters of public interest that are required by the Division of Revenue Act (DORA) to form part of the annual report.</i></p>	<p>The following required information was not included in the municipality's draft annual report:</p> <ul style="list-style-type: none"><li>■ Three-year capital plan for addressing backlogs in terms of the Municipal Infrastructure Grant (MIG) framework as per circular no. 11.</li><li>■ The MFMA circular 11 requires the DORA conditional grants to be listed individually in the annual report and the quarterly financial information in respect of those grants should also be provided. The conditional grants were recorded individually in the Annual Financial Statements that are part of the annual report however the required quarterly information was found not recorded.</li></ul>	<p>The 3-year capital plan will be included in the draft Annual Report to be tabled to MPAC and Council for adoption.</p> <p>The information has been extracted and provided for inclusion in the annual report. It will be submitted to the MPAC and Council for consideration as part of the Annual Report submitted for adoption.</p>
<p><b>Recommendations / Corrective Actions</b></p> <ul style="list-style-type: none"><li>■ Management should review the report taking into consideration the requirements of the relevant legislation and guidelines to ensure that all the necessary information is included and structured accordingly.</li></ul>		<p>Management notes the comments. Community Services to actively play the role of being the custodian of</p>

<ul style="list-style-type: none"> <li>■ Thorough reviews should be performed prior to the annual report being submitted to the relevant stakeholders.</li> <li>■ Community Services should advise management of the nature of information required for the preparation of the annual report and the structure of that information.</li> </ul>	the Annual Report, by advising management on the nature of information required on the annual report, with draft reviews prior to submission of the report to public.
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#### 4.3 ANNUAL REPORT NOT ALIGNED TO MFMA CIRCULARS

<b>MFMA REQUIREMENT</b>	<p><i>Section 121 (1) of the Municipal Finance Management Act (MFMA) states that every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter.</i></p> <p><i>Circular No. 63 of the MFMA provides guidance to municipalities and municipal entities on the new Annual Report Format and its content. The circular also states that it should be carefully followed by municipalities and municipal entities to ensure compliance with the legislation referred to (i.e. MSA, MFMA etc.).</i></p>
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<b>INTERNAL AUDIT COMMENTS</b>	<b>COMMENTS FROM THE USER DEPARTMENT</b>
(a) MFMA circular no. 63 requires that the annual report of the municipality should have six (6) chapters and it was noted that the municipal 2017/2018 annual report have seven (7) Chapters.	Management notes the comments. However, the current annual report (although comprehensive and compliant) is not structured in terms of Circular 63, with Circular 63 to be used as tool for continuous improvement for 2018/2019 annual report.
(b) <b>Mayor's Foreword:</b> The Mayor's Foreword which reads as 1.1: <i>Overview by His Worship the Mayor</i> in the annual report does not include the 'corrective actions taken to ensure that strategic objectives as stipulated in the IDP were achieved' as required by circular 63 and the foreword appears not to include a general summary of any municipal service provider's performance for the year as required in terms of MFMA circular 11. It was also noted that the Mayor's Foreword is not signed.	Management notes the comments with changes effected as suggested.

(c) **Municipal Managers Foreword:** The information that is required to form part of the Municipal Manager's Foreword was not recorded under the recommended chapter. Some of the information was found recorded in different chapters throughout the report. Failure to record the information as recommended in the MFMA circulars may result in the annual report not being user-friendly and stakeholders may experience difficulties in timeously locating the municipal information that may be required for different purposes and or decision –making purposes. It is recommended that the guidelines be followed for standardization with other institutions. It was also noted that the Municipal Manager's Foreword is not signed.

The Management notes the comment, and the information has been incorporated as per comments from internal audit. However, the management also notes that this information does appear in various sections of the annual report. One of the critical information incorporated in the Municipal Managers Foreword are the **"top five (5) strategic risks facing the municipality, and the commitment that there are mitigation strategies to deal with this risks"**.

(d) **Municipal Overview**

Chapter number	MFMA Circular no.63 Requirements	Internal Audit Comments	Comment From The User Department
Chapter 2: Governance	<i>Component D: Corporate Governance</i> (iv) By-laws (v) Websites (vi) Public Satisfaction on Municipal Services	There is no information on municipal By-laws, municipal website and Public Satisfaction on Municipal Services.	<b>By-laws</b> No by laws were passed during 2017/2018 financial year.  <b>Website information is in the report</b> of the annual report.  <b>Public Satisfaction on Municipal Services</b> no satisfaction survey was done in 2017/2018 due to financial constraints.
Chapter 5	(b) <i>Component B</i>  Managing the municipal workforce Levels on reporting should be broken down to MM & Section 56, top management, assistant managers, supervisors, etc. and not pay levels as there is no consistency among municipalities.	The information included in the annual report under ' <i>Managing Municipal Workforce</i> ' is not in line with the requirements of the MFMA circular 63.	The annual report will be amended as per information from MFMA Circular 63.
<b>Recommendations / Corrective Actions</b>			The recommendations and corrective actions have



<ul style="list-style-type: none"> <li>• Management should review the draft annual report for correctness and adequacy of information.</li> <li>• Management should consider following the guidelines when developing the annual report to ensure standardization.</li> </ul>	been noted by management, and will be implemented going forward.
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#### 4.4 INCORRECT AND / OR MISALIGNED INFORMATION NOTED IN THE ANNUAL REPORT

<b>MFMA REQUIREMENT</b>	<p><i>Section 62 (1)(c)(i) of the Municipal Finance Management Act, states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</i></p> <p><i>Paragraph 5 (2) (3) of the Framework for Managing Programme Performance Information issued by National Treasury states that performance information systems should be integrated within existing management process and systems. The accounting officer is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store the information.</i></p>
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Number	Page Ref. number	Information as per the annual report	Internal Audit Comments	Comment From The User Department
1	6	<b>Chapter 1-</b> 'Vacancy rate originally at 23%'	<p>The reported vacancy rate is not aligned to the performance information. At the beginning of 2017/2018 financial year, the vacancy rate was 10% and the reported annual actual was 12.84%.</p> <p>With reference to the information reported on staff establishment, it appears that the formula that is used in calculating the vacancy rate is incorrect. (page 139).</p>	The 2016/17 baseline vacancy rate of 10% was based on the old staff establishment. The 30 May 2017 adoption of the new staff establishment increased the vacancy rate to 23% and same was not reflected as the 2017/18 baseline (the old 10 % baseline was used). Council identified priority posts to be funded and filled in the 2017/18 financial year and these adjusted the vacancy rate to 12.84%.

2	7	<b>Chapter 1-</b> 2534 households were reported to have access to sanitation in 2017/2018	The number of households (hh) reported in the annual performance report is 2338. (refer to page 99)  On Chapter 4, page 123 under (d), the number of hh provided with sanitation is reported as 2534. The correct figure can therefore not be confirmed.	The corrected figure is 2338, as this was confirmed after the recommendations by AG, upon their site visit.
3	10	Debt of R273 million rands as at the end of June 2018 owed to the municipality.	The debtors figure reported in the 2017/2018 audited Annual Financial Statements is R271 380 045. (page 246)	The audited financial statements figure of R 271 380 045 is net off indigent write offs that are furnished to consumers. This is for first time applicants who have debt with the municipality. This is in accordance to the Indigent Policy.
4	6	Overall municipality's performance was good with 67% of targets being met, 24% not met and 9% in progress.	The reported overall municipality's performance figure could not be confirmed in the annual performance report.	This information is incorrect, as the information is now measured on the national KPA's. The page will be updated with the correct information
5	11	Debt collection rate- 69%	The revenue collection rate was reported at 72 % (page 165) and the average collection rate is reported as 67% (page 164). The 69% reported on page 11 could not be confirmed.	After all workings and calculations, the annual collection rate as at 30 June 2018 was 69%  Attached is a report that speaks to the 69% which were the final percentage.
6	18	The new Council	The term of office for the current Council commenced in 2016/2017 financial year therefore the auditors view is that Council should not be regarded as new in 2017/2018 financial year.	This has been corrected with the "new council" replaced by "current council" on page 18 of the Annual Report.
7	20- SDG 15	'this IDP'	The statement refers to the IDP while the document under review is the annual	SDG 15 on page 15 of the Annual Report has been rephrased as follows "The

			report. It is recommended that this be reviewed by management.	municipality has concluded a Wetland assessment and the draft action plan is included as part of the municipal IDP". This phrase is correct since this is the IDM response to the Sustainable Development Goal (SDG) Number 15.
8	123	On Chapter 4 (Service Delivery Performance)–page 123, it was reported that 120 households were served with water.	On Chapter 3 (Service Delivery Performance), page 99, it was reported that 601 households were served with water.	The correct figure is 601 is that 601 households were served with water.
9	139	Employee Turnover Totals, and Vacancies	It was reported that the staff turnover rate for 2017/2018 financial year is 70%. The reported figure appears to be incorrect based on the available information. It appears that the formula that is used in calculating the vacancy rate is incorrect and it requires to be reviewed by management.	The formula that has been used to calculate the turnover & vacancy rate will be revised to correct the figures.
10	154-190		It was noted that the annual report makes reference to the 'current drought epidemic' and auditors could not confirm whether there was drought in 2017/2018 financial year.	iLembe was declared a drought stricken area (severe drought) during 2014, where funds were sourced from Cogta (National Disaster Management Centre-NDMC) and Department Of Water and Sanitation (DWS). However, in terms of the monthly seasonal outlook forecasts from the South African Weather Service (SAWS), the Rainfall Precipitation Indices from the Department Of Agriculture And Rural Development (DARD) and the current Status Of Dams from the DWS, iLembe District is currently experiencing moderate drought conditions.

11	277-280	Glossary	<p>Some definitions of the terminologies used in the annual report were incorrect and not aligned to the available guidelines.</p> <p>e.g. <b>Activities-</b> the quantity of inputs or outputs relative to the need or demand.</p> <p><b>Approved budget-</b> The annual financial statements of a municipality as audited by the Auditor-General and approved by council or a provincial or national executive</p> <p><b>Performance Information</b> – Can also be used interchangeable with performance measure.</p>	Definitions and terminologies have been amended.
12	386	Enterprise iLembe	The annual financial statements attached to the annual report are unaudited.	Audited Financial Statements will be attached.
<b>Recommendations / Corrective Actions</b> <ul style="list-style-type: none"> <li>■ Management should review the information on the report prior to the annual report being submitted to the relevant stakeholders.</li> <li>■ Line management should provide credible information for the compilation of the draft annual report.</li> </ul>				Management notes recommendations and corrective actions, with recommendations incorporated as part of the final draft of the annual report.

#### 4.5 OTHER MATTERS RECOMMENDED FOR CONSIDERATION BY MANAGEMENT

<b>MFMA REQUIREMENT</b>	<i>Section 62 (1)(c)(i) of the Municipal Finance Management Act, states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</i>
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Reference No.	Information per Annual Report	Internal Audit Comments	Comments From The User Department
26	MAP 1: Overview of the iLembe Region	It is recommended that management consider ensuring that there is proper information linking the content of the report to the map (Map 1) to ensure proper flow of information.	The comments are noted, with such information to be utilised for the enhancement of future reports.
30-31		The information on the 2 <sup>nd</sup> paragraph under C –GENDER PROFILES is a duplication of the information recorded on D.	This has been corrected with <b>paragraph C</b> now appearing on <b>page 30</b> of the annual report. Accordingly the figure has also been renamed as <b>figure 3</b> , with <b>all other graphs below also renamed accordingly</b> .
Page 35-44	Chapter 2: Political Governance	It is recommended that the headings under this section be numbered for ease of reference.	All headings and the respective sub-heading have been numbered in the annual report.
41-44	Committees by Name and Purpose	It is recommended that the structuring of the information under the heading 'Committees by Name and Purpose' be aligned to the heading e.g. (Name of the Committee, Purpose and functions) and it is recommended that the sub-headings be numbered.	The heading on <b>page 40</b> of the annual report has been renamed " <b>The Purpose And Functions Of The Committees</b> " as this is a proper heading. All the sub-headings have also be numbered in the annual report.
49-61	2.3- Ensuring Good Governance	It is recommended that the headings and sub-headings be numbered for ease of reference.	This has been amended in the Annual Report.
58	Competitive Bidding Process	It is recommended that management consider including the information that will explain what the table on page 58 entails.	In terms of the SCM Policy, all transactions or procurement activities above R 200,000 and contracts of a long-term nature must be handled in terms of the competitive bidding process and through the bid committee system,



			i.e., bid specifications committee (to draft and approve bid specifications), bid evaluation committee (to assess and evaluate bids received and establish the capacity of the bidders to undertake contracts) and bid adjudication committee (considers the report from the bid evaluation committee and make decision to award based on the sub-delegated powers)
61-69		It is recommended that the headings and sub-headings be numbered for ease of reference.	This has been amended in the Annual Report
67	IDP meetings	It is recommended that management consider rephrasing the heading for the last column on the table of "IDP meetings" as it not clear to the reader as to what the information refers to.	IDP Meetings have been rephrased "IDP Public Meetings"
154, 155, 157, 158, 190	6.4 External Trends..... and other	It is recommended that management follow-up and confirm the following:  'Acceleration of the roll-out of the intelligent meter project  'intelligent meter project currently under way' – ref (a)	Rolling out of the intelligent meters is an old project that the municipality no longer implements.  <b>Acceleration of the roll-out of the intelligent meter project – removed from the annual report.</b>  Intelligent meter project currently underway – removed from the annual report
<b>Recommendations / Corrective Actions</b>  Management should review the information on the report prior to the annual report being submitted to the relevant stakeholders.			The recommendations and corrective measures have been noted, with information to be timeously reviewed in future prior for submission to stakeholders.

## 5. SUBMISSIONS BY THE MEMBERS OF THE PUBLIC

Only one (1) submission was received from the member of the public, by the name of Mr Danie Bosch. Below were the actual submissions by Mr Bosch, who is also the former Chairperson of iLembe District Audit Committee:

### (a) Comments On The Annual Report For iLembe District Municipality

SUBMISSION BY THE PUBLIC	MANAGEMENT COMMENTS
<ul style="list-style-type: none"> <li>For credibility of information, the Mayor should sign page 8 with the Municipal Manager to sign page 9 of the Annual Report.</li> <li>Page 98 (Paragraph 3.4.3 Measures taken to improve performance)-all five (5) bullets include the words "<b>will be taken</b>" as the legal requirement is measures "taken" in the spirit of what have you done during or at the end of the year. Although the targets were there for a year it seems only now something will be done which is not in the spirit of the Act.</li> <li>Page 197 lacks the AGSA signature which also impacts on the credibility of the report. Also, the page numbers for AFS and AOPI in the AG report does not tie up with the AR. AFS (218 to 270) seems to be 225 to 274 and AOPI (82 to 107) seems to be 90 to 113. It is critical for these reference numbers to be 100% correct.</li> <li>Page 202 Audit response plan for irregular expenditure. He express his wish for consequence management if such expenditure is not <b>prevented</b>.</li> </ul>	<ul style="list-style-type: none"> <li>The final version of the Annual Report will be signed by both the Honourable Mayor and the Municipal Manager.</li> <li>Ref Org: 15 : - The comment (regarding paragraph 3.4.3 in Page 98) <b>has been noted, however due to the internal challenges that were experienced within the municipalities, the learning programmes that were not implemented in the 2017/2018 financial year will be deferred to the 2018/2019 workplace skills plan. This will be accompanied with a clear Action Plan which will be closely monitored to ensure that this is done.</b></li> <li>The signature from AGSA has been inserted in Page 197 to ensure credibility of information.</li> <li>Provincial Treasury has had a workshop on the reporting and prevention of irregular, fruitless and waste full expenditure and consequence management. KZN COGTA has similar program taking place On 19 March 2019 as well. Efforts by management are also taking place to eliminate future UWIF expenditure. Management has also implemented internal controls in the form that certifies that services rendered are value for money and that the initiators of expenditure are aware that consequence management may be applicable. This is item in the audit action plan. Vuthela LED program has appointed consultants to also investigate and come up with recommendations to eliminate UWIF.</li> </ul>

<ul style="list-style-type: none"> <li>• Page 220 AUDCOM report : The meeting date of 19 August 2017 should be verified as the actual records indicate the meeting date as 29 August 2017. The 19<sup>th</sup> was a Saturday. Also, it should be noted that the official term of office for Mr Bosch (Former Chairperson of the Audit Committee) was six (6) years and expired at the end of August 2017 and not with the new Committee in February 2018.</li> </ul>	<ul style="list-style-type: none"> <li>• This has been corrected in the actual Annual Report. As this has been corrected, it also confirms that the last term for Mr Bosch expired at the end of August 2017, as this is the last meeting that he attended.</li> </ul>
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**(b) Comments On The Annual Report For Enterprise iLembe (the Entity Of iLembe District Municipality)**

<b>COMMENTS FROM THE PUBLIC</b>	<b>MANAGEMENT COMMENTS</b>
<ul style="list-style-type: none"> <li>• Entity page 325 AUDCOM report is not factually correct as the term of office for the Chairperson of the Audit Committee expired in August 2017 and not January 2018. It should be clear as it seems Mr Bosch (the former Chairperson Of The Audit Committee) have missed some meetings.</li> <li>• Entity Page 326 AUDCOM report- The meeting date of 19 August 2017 to be verified as (according to the records of Mr Bosch) indicates 28 August 2017.</li> <li>• Entity Page 329 AUDCOM report must be signed for credibility.</li> <li>• Entity Page 371 AGSA report refers to Annexure A. However, Annexure A is not the AFS as submitted to the AG (MFMA compliance requirement) but it is on pages 386 to 419.</li> <li>• Entity Page 373 AGSA report for AOPI refers to Annexure B however there is no such Annexure. These references should be 100% correct.</li> </ul>	<ul style="list-style-type: none"> <li>• The report will be corrected.</li> <li>• The report will be corrected.</li> <li>• The report will be signed.</li> <li>• A copy sent to IDM had the attachment.</li> <li>• A copy sent to IDM had the attachment.</li> </ul>

## 6. SUBMISSIONS BY THE POLITICAL PARTIES

COMMENTS FROM THE DOMOCRATIC ALLIANCE	MANAGEMENT COMMENTS
<p>Unqualified opinion with findings means council did not produce useful and reliable performance as measured against predetermined objectives. It did not comply with key legislations.</p> <ul style="list-style-type: none"> <li>• Need to implement checklist and departments must account and provide reasonable explanation? What systems are put in place to avoid repeated findings?</li> </ul> <p>Water losses of R 40.4 million which represents 46.8% was recorded. In the previous financial year it was sitting at 52.3 % a decrease by 6 %. It is still an area of concern taking into account the national norm for water losses is around 40 %. An aggressive campaign to deal with illegal connection, main leaks, reserve overflows and service connection leaks</p> <p>Must be addressed if we are to be sustainable in the future. illegal connections must be acted upon without fear or favour.</p> <ul style="list-style-type: none"> <li>• Do we have record of how many houses have illegal connection and action taken? What measures are put in place to mitigate water loss when the telemetry system malfunctions which results in reservoir overflow? Are standpipe metered so that we can have reading – free water supplied kilolitres and amount?</li> </ul> <p>While there was no unauthorised expenditure recorded for the financial year ending at 30 June 2018, irregular expenditure spiralled out of control from R 8.5m in the previous year to R 45 million. Management must prevent irregular and fruitless and wasteful expenditure. There must be consequence management if officials are found wanting with non-compliance.</p> <ul style="list-style-type: none"> <li>• Is there any evidence into the departments investigating them for irregular expenditure?</li> </ul>	<p>Matters which resulted in annexure A finding are captured in the audit action plan. Significant matters in annexure B are also captured in the audit action plan for management to take corrective action. Audit action plans are also monitored by KZNCOGTA and are also scored by B2B assessment. MEC COGTA also called audit committee members to sensitize them on the role they need to play. An indaba is also called with respect to the audit finding and action plan in order to ensure corrective action. Management will also rely on internal audit reports early warning signals to correct non-compliance with key legislation.</p> <p>A non- revenue loss bid has been advertised to seek assistance in further reducing water losses. This initiative is also in the Vuthela LED program as part of the infrastructure program. This cuts across the revenue enhancement program. The no drop program which is an initiative of the Department of water affairs and sanitation will also assist with implementation in measures to curb water losses. The Vuthela LED program has an activity to address a pilot area within the District and then roll out this out to other hot spot areas. illegal connections can then be identified and logged for action e.g. removal and regularisation of such connection.</p> <p>The amounts referred to relate to the fleet and security tenders which are the main contributors of irregular expenditure. These are being dealt with and it is estimated that that this irregular expenditure can be eliminated by June 2019. MPAC has dealt with this matter. Some investigation are currently underway to deal with some matters which relate to irregular expenditure. Provincial Treasury has had a workshop on the reporting and prevention of irregular, fruitless and waste full expenditure and</p>

While MPAC is tasked to deal with such matters in most cases corrective measures are put in place with little or no consequences for the officials who should be held to account? What measures are put in place to deal with repeated findings?

consequence management. KZN COGTA has similar program taking place on the 19<sup>th</sup> of March 2019 as well. Efforts by management are also taking place to eliminate future UWIF expenditure. Management has also implemented internal controls in the form that certifies that services rendered are value for money and that the initiators of expenditure are aware that consequence management may be applicable. This is item in the audit action plan. Vuthela LED program has appointed consultants to also investigate and come up with recommendations to eliminate UWIF.

**Additional Comments From Technical Services:**

- The department is installing Telemetry system in 14 sites of KwaDukuza.
- The same system has been installed and working in Sundumbili in Mandeni.
- WCDM budget has been set aside to the value of R15m per annum
- Municipality has entered into partnership with DWS and Embassy of Denmark to implement No drop programme earmarking reduction of NRW.
- Thuma Mina is addressing all water leaks and disconnect illegal connections

- Why theft of computers from internal audit go missing despite having 24 hours security? Did we interrogate the security company we believe their performance and contract must be reviewed? Perhaps was it an internal set up to destroy information? Can we get thorough explanation?
- Under collection of revenue against target is alarming? In relation to monthly billing versus total debtors its almost like three years billing sitting in our books What measures are put in place to cut off water supply once the threshold for indigent has been exhausted? If not managed it will slowly cripple the municipality our sustainability can be questionable?

The matter has been reported to the relevant Law Enforcement Agencies as there is visual evidence of this incident. The municipality will allow the law to take its cause, whilst any internal officials implicated in this incident will be dealt with accordingly.

Revenue collection is currently at 66% due to the fact that billing of consumers has seen an increase by almost double from the FY 2017. This is as the result of more - meters being read and converted to conventional. Some data cleaning has taken place and IDM is now in a better position to effect disconnections to defaulters commencing with commercial customers. Indigent consumers are being monitored for exceeding their free basic allocation of water, after which the normal tariff will apply. This activity is also part of the Vuthela LED program for implementation.



- iLembe Enterprise overspent R 615 494.00 on employee cost, R228 142.00 on contracted services and general expenses by R 270 440.00 which could have been avoided and amounts to unauthorised expenditure on line item? Good governance and accountability go hand in hand? What measures are put in place to avoid such a situation in the outer years.

On the employee costs, the over expenditure related to the leave provision that was expensed at year end but not budgeted for. The Entity will ensure that this amounts are budgeted for in order to avoid unauthorised expenditure.

## 7. SUBMISSIONS BY COGTA

### ANALYSIS OF THE REPORTING AND DISCLOSURE REQUIREMENTS IN THE ANNUAL REPORT AND ADEQUACY OF YOU AUDIT ACTION PLAN

SUBMISSION BY COGTA	MANAGEMENT COMMENTS
<b>1. Adequacy Of The Audit Action Plan On Audit Issues - Inadequate</b>	
(a) Paragraph 7 on the material water losses has been addressed in you audit action plan for 2017/18. It has been noted that the matter is included in the 2016/2017 action plan and is recorded at 15% complete, however, it is important that this matter is reassessed in terms of the previous plan with a view of ensuring that water losses are reduced to an acceptable level.	Non- Revenue loss water contributes to water losses together with other losses. A business plan has been submitted to DWS for funding to address water losses.
(b) Paragraph 23 on material misstatements on the annual financial statements is partially addressed. The focus in plan is on year end processes and the specific areas where misstatements have been identified are very important, however, weekly and monthly reconciliation processes and reviews therefore should be included to enhance the credibility of the information and ensure misstatements are addressed during the year or eliminated altogether.	Reconciliations are being done monthly are monitored to correct misstatements. Reports from internal audits must also assist in quantifying such errors before the external audit commences.
(c) Paragraph 24 on payment of suppliers within 30 days is partially addressed. The root cause as indicated is the cash flow constraints experienced by the municipality and reference is made to turnaround plan developed in 2016. This plan should be reviewed in terms of the implementation and relevance and revised accordingly. The revised plan should be attached to the audit action plan.	The payment of creditors within 30 days is a specific matter and is being dealt with on a monthly basis. Communication is taking place with suppliers should payment not take place within 30 days providing reasons and a date when payment will take place. Thus is 2 way communication between IDM and the affected supplier.
(d) Paragraph 25 on the prevention of irregular expenditure is partially addressed. The specific contracts that gave rise to irregular expenditure have been addressed, however, the	Provincial Treasury has had a workshop on the reporting and prevention of irregular, fruitless and waste full expenditure and consequence management. KZN COGTA has similar program

preventative measures have not been addressed. Internal controls including robust oversight processes should be implemented to ensure compliance with Section 32 and other compliance requirements for supply chain management.	taking place On 19 March 2019 as well. Efforts by management are also taking place to eliminate future UWIF expenditure. Management has also implemented internal controls in the form that certifies that services rendered are value for money and that the initiators of expenditure are aware that consequence management may be applicable. This is item in the audit action plan. Vuthela LED program has appointed consultants to also investigate and come up with recommendations to eliminate UWIF.
(e) Paragraph 33 on accurate and complete reporting from a management oversight perspective has not been addressed.	Will enhance the audit action plan to reflect the Manco oversight.
(f) Paragraph 34 on review and monitoring of non-compliance with legislation has not been addressed.	Will enhance the audit action plan to reflect the Manco oversight. Reliance to be placed on internal audit reports.
(g) Oversight on (e) and (f) above must be strengthened. It is recommended that this is addressed as a separate line item to ensure its importance is not lost in the implementation.	Will enhance the audit action plan to reflect the Manco oversight.
(h) In general, the actions must be clear and concise and action to date must respond to the planned actions.	Will enhance the audit action plan to reflect the Manco oversight.
<b>2. ANNUAL REPORT</b>  The following were not included:- <ul style="list-style-type: none"> <li>• An assessment of the performance against measurable performance objectives for revenue collection by the accounting officer (s121(3)(1))</li> <li>• An assessment by the accounting officer on any arrears on municipal taxes and services charges (s121(3)(3))</li> </ul>	Assessments were done and strategies have been set and policies reviewed to be implemented. Management will in future ensure that this included in future.
<b>3. ANNUAL FINANCIAL STATEMENTS</b>  The following information was not disclosed in the consolidated annual financial statements (Note : The Audited AFS received from the Auditor-General was reviewed for compliance) <ul style="list-style-type: none"> <li>• Statement by the accounting officer that salaries, allowances and benefits of political office bearers are in accordance with the framework in 2 219 of the Constitution, s124(1)(a).</li> </ul>	Management will in future ensure that this included in future submission of AFS for auditing.
The accounting officer is required to provide an amended audit action plan and incorporate the outstanding information into the Oversight Report which is required in terms of sections 129 of the MFMA together with a statement indicating whether the council:-	The audit action plan will be updated to include this section.

<ul style="list-style-type: none"> <li>• Has approved the annual report with or without reservations</li> <li>• Has rejected the annual report; or</li> <li>• Has referred the annual report back for revision of those components that can be revised.</li> </ul> <p>In complying with section 129(2)(b) and section 127(5)(b) of the MFMA, municipalities are required to submit the Annual and Oversight Reports to CoGTA, for the attention of Mrs. Joey Krishan, 6<sup>th</sup> Floor, Room 5, Southern Life Plaza.</p>	
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## 8. SUBMISSIONS BY THE OFFICE OF THE AUDITOR GENERAL

SUBMISSION BY AUDITOR GENERAL	MANAGEMENT COMMENTS
<ul style="list-style-type: none"> <li>• Page 8: The Mayor to sign the overview, and provide date.</li> <li>• Page 8: Foreword by the Municipal Manager to be moved to page 9.</li> <li>• Page 9,12,114,117,128,138,151,174,175: To correct highlighted spelling errors.</li> <li>• Page 11: Write IDP as "Integrated Development Plan" in full and do not abbreviate.</li> <li>• Page 12: MM to sign and provide date.</li> <li>• Page 29: Incorrect alignment of columns.</li> <li>• Page 48: Insert the heading of 1.3.3 "Government Priorities" in a new page.</li> <li>• Page 178,184,186 : Adjust spacing between words</li> </ul>	<ul style="list-style-type: none"> <li>• Final Document to provide date and will be signed by the Mayor</li> <li>• This has been done.</li> <li>• All spelling errors have been corrected</li> <li>• The Heading reads Integrated Development Plan (IDP), to ensure that the acronym gets used in the document</li> <li>• Final Document to provide date and will be signed by the MM.</li> <li>• Columns correctly aligned.</li> <li>• This has been done.</li> <li>• This has been done</li> </ul>

## **9. RECOMMENDATIONS BY THE MPAC**

iLembe District has approximately people in terms of its population, yet the comments that have been received have been very few when one looks at the vastness of our District. The issue of language usage in the annual report is also one of the areas of concern as more than 90% of the population at iLembe District speak iSizulu, yet the Annual Report is written in English. It is in this view that, going forward, various media platforms must be utilised (including the local print and electronic media) in a language that most of the local communities are able to understand. This will also ensure that as a municipality, we adhere to the issues of participatory democracy.

Going forward, all Annual Reports must be taken to the ordinary members of the public, where they will be able to engage comprehensively on the documents in Isizulu, just like any other Public Engagement Meetings that iLembe District are able to undertake.

In light of all the issues that have been raised above, to ensure continuous improvement in future Annual Reports, we are happy with the manner in which the public comments have been dealt with by the entire management, which is led by the Municipal Manager of iLembe District. We have also noted some of the areas of concern that have been raised by iLembe Internal Audit, whilst also noting that some of the recommendations have been incorporated in the report, with other corrective measures to be monitored on an ongoing basis.

As an Oversight Committee, we would like to get regular updates from the Accounting Officer, regarding all the areas of concern that have been raised by all the stakeholders. The Oversight Committee also wishes to commend Council, the Municipal Manager, Senior Managers and all staff at iLembe District Municipality on the strides made towards good governance.

The following is also proposed going forward:

- Budget to be set aside to conduct Public Hearing (in Isizulu) on the Annual Reports, and this needs to be aligned to the dates in which local municipalities will be visiting local communities
- Sector Based Hearings to be conducted focussing on stakeholders and roleplayers such as the Business Sector, Civil Society, NPO's NGO's Youth Formations etc
- Other public consultation avenues, beyond print media, be used to inform and encourage community members to partake in the consultation process, using iSizulu as a medium of communication
- An abridged, user friendly and easy to read version of the annual report be printed in IsiZulu for community members that are unable to understand English Language

- A clear implementation plan be monitored regarding all issues raised, with quarterly reports being prepared for submission to all internal and external stakeholders, including MPAC, EXCO and Council.

As an Oversight Committee, we have pleasure in presenting the Oversight Report to consider the following resolution:

1. That Council, having fully considered the Annual Report of iLembe District Municipality for 2017/2018 Financial Year, adopts the Oversight Report for the 2017/2018 Financial Year, noting that all comments on the Annual Report have been addressed and dealt with by management

**And**

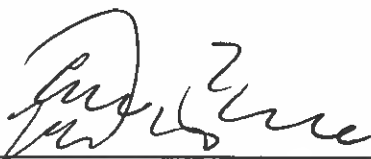
2. The Oversight Report be made public in accordance with Section 129 (3) of the Municipal Finance Management Act 56 of 2003;

**And**

3. That the Oversight Report be submitted to the Provincial Legislature in accordance with Section 132 (2) Of The Municipal Finance Management Act 56 of 2003;

**And**

4. That the Oversight Report together with the signed resolution of adoption be submitted to the Auditor General and the Department Of Co-operative Governance And Traditional Affairs.



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**Cllr J.G Van Whye**

**Chairperson**

**Municipal Public Account Committee**



